

Congress of the United States

CONGRESSIONAL OVERSIGHT PANEL

Opening Statement of Damon Silvers

Congressional Oversight Panel Hearing with Assistant Secretary for Financial Stability Herb Allison

October 22, 2009

Good morning. It is again a pleasure and honor to welcome Herb Allison. I am pleased with your willingness to make yourself available to our panel both in these formal settings as well as more informally.

This hearing convenes as the Office of Financial Stability and the Treasury Department are undertaking a number of initiatives that appear to be efforts to respond to concerns raised by this Panel regarding the provision of credit to business, particularly small business, continued excessive and perversely structured executive compensation at major TARP recipient institutions, and the continuing escalation of the home foreclosure crisis.

While my sense of these initiatives is that they are directionally correct, I look forward to hearing today from Assistant Secretary Allison about the scope and design of these initiatives.

I also want to compliment Assistant Secretary Allison on the OFS's handling of the cancellation of the Bank of America asset guarantee. Bank of America clearly benefited from the perception on the part of the markets that this guarantee was effectively in place, and it is only appropriate that it should pay a fee for having done so.

However, I remain extremely concerned that as a result of having a strategy with TARP that is fundamentally about buying time, that we are at risk of a vicious cycle. Persistent high unemployment, in part generated by the initial financial crisis, breeds more foreclosures and a continued housing depression, which in turn keeps our major financial institutions weak and causes continued high rates of failures of small banks. Weakness in the banking sector then acts as a powerful headwind, preventing the revival of employment outside those firms that can access public debt markets.

With this concern in mind, I hope that Assistant Secretary Allison can discuss with us with some specificity the current state and future prospects of the largest financial institution that are continuing recipients of TARP assistance—AIG, Citigroup, Bank of America and Wells Fargo.

Ultimately, the Wall Street bonuses that got so much attention this past week make tangible and specific the growing feeling among the public that we are back to business as usual on Wall Street, while the financial system is failing to play its proper role in supporting the real economy

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on Main Street. I am interested in the immediate steps Treasury is taking to counter this perception in areas like executive pay, but the real test will be whether we really repair the banking system so that it can function again, or whether we repeat the unpleasant experience of long term economic stagnation Japan went through in the 1990's.

I look forward to hearing from Assistant Secretary Allison and again extend my thanks to him for joining us.