

## **B. Paul S. Atkins**

With the publication of a report on federal government guarantee programs to the financial system, the Panel has produced a detailed perspective on an area that has received little public attention. I support the issuance of the report and appreciate the very hard work during the past month that the Panel staff has poured into this subject to produce this historical analysis.

With Congressman Hensarling, I believe that a few points should be noted with respect to this report:

First, American taxpayers have borne and continue to bear significant costs from the huge risk incurred in extending the guarantees, the direct administrative costs of the guarantee programs, and the expense of overseeing the programs. Even though many today seem to think mistakenly that the federal budget is limitless, there are also indirect costs to the taxpayer of issuing guarantees in the hundreds of billions of dollars, including market distortions, potential higher borrowing costs, opportunity costs of these off-balance sheet contingencies, and hard-to-quantify implications of moral hazard that arise when the government issues guarantees to private parties who have been unsuccessful in the marketplace, for whatever reason.

Second, the report's very matter-of-fact treatment of the guarantee programs should not be taken as a sign that all of the Panel members necessarily approve of the use of U.S. Government authority and resources in this way. These guarantees were issued in unusual circumstances, and as the facts come to light over time and ARE scrutinized as the crisis recedes, the wisdom and outworkings of the various decisions will be debated and judged. I also agree with Congressman Hensarling that this report should not be interpreted as advocating any particular legislative or regulatory response.

Finally, it is important that the Panel focus on ways in which TARP might be transformed over the coming months, particularly if the Treasury Secretary extends it pursuant to Section 120(b) of Emergency Economic Stabilization Act (EESA). Programs that demand especial scrutiny by the Panel are those that have the greatest enduring financial exposure and public policy implications for the taxpayer: AIG, Chrysler, GM, GMAC, Citigroup, the Capital Purchase Program, and imprudent efforts regarding mortgage foreclosures. If TARP is extended, perhaps the greatest danger is that other initiatives may be undertaken that depart from the intent of the Congress that approved EESA in 2008. The taxpayers depend on this Panel's vigilance in that respect.