

OPENING STATEMENT OF CONGRESSMAN PAUL E. KANJORSKI
COMMITTEE ON FINANCIAL SERVICES
HEARING ON IMPLEMENTING THE EMERGENCY ECONOMIC
STABILIZATION ACT AND OTHER MARKET INTERVENTIONS
NOVEMBER 18, 2008

Mr. Chairman, the Congress took swift action last month to provide the Administration with unprecedented powers and extraordinary means to protect against a meltdown of the global financial system. Today, we will learn more about how the Administration is using these new authorities, as well as its previously existing tools, to address the problems in our markets.

Each of us has the responsibility to ask tough questions of the individuals overseeing these programs and the entities participating therein. For my part, I intend to focus on aid to American International Group. During the last two months, the government's assistance to AIG has skyrocketed from an excessive \$85 billion to an astronomical \$173 billion.

Because AIG is by far the biggest benefactor of the government's help, it requires special scrutiny. In this regard, I have already exchanged several letters on AIG with Chairman Bernanke. In submitting this correspondence into the record, I should note that I am displeased with the responses provided so far. Maybe today's proceedings will yield better results.

In announcing the initial loan to AIG, the Federal Reserve stated, "The interests of taxpayers are protected by key terms of the loan." I disagree. The Federal Reserve has failed to do enough. We need strong oversight of AIG's daily operations. Despite the Federal Reserve's position that "as a lender it is not in a position to review or approve all of the specific expenditures related to AIG's ongoing business" as it stated in response to my letters, the American taxpayer wants more. I want more.

This is not all about AIG and its unnecessary junkets to exotic places. It is about the bigger picture. With extraordinary power comes extraordinary responsibility. I therefore must ask our distinguished witnesses about what actions they are taking to ensure that taxpayer money is being used for the intended purposes.

After all, the overseers of our markets are now in a precarious position. They are serving as both direct regulators and indirect market participants. We must ensure that the insertion of government money at AIG neither undermines market discipline nor prevents fair competition.

The decision to provide AIG with a capital infusion from the Treasury and access to other special programs at the Federal Reserve has also sparked a split in the insurance industry about requesting government help. Several life, multi-line, and bond insurers now want capital infusions, while most property-casualty insurers oppose accessing federal funds at this time.

No matter where one sits on this issue, AIG's near collapse and the desire of other insurers to access federal aid raise legitimate concerns about regulation of the insurance industry. I believe these circumstances have demonstrated the need for more federal oversight and information in this field going forward, especially with regard to systemic risk. We will advance this regulatory debate today.

In closing, I look forward to a somber discussion of where we are and a lively debate about where we should go. These important matters demand our careful attention.
