



Hearing Before the Committee on Finance  
“TARP Oversight: A Six Month Update”  
Statement of Ranking Member Charles Grassley  
Tuesday, March 31, 2009

Thank you, Mr. Chairman, for calling this critically important hearing today. It has been a year since the collapse of Bear Stearns, and about six months since the \$700 billion Troubled Asset Relief Program, or “TARP” for short, was created in the Emergency Economic Stabilization Act. According to its purpose clause, the Act was supposed to help Treasury restore liquidity and stability in financial system, and to do it in a manner that protects home values, college funds, retirement accounts, and life savings; preserves homeownership and promotes jobs and economic growth; maximizes returns to taxpayers; and provides public accountability for the exercise of such authority.

I had my doubts about the creation of the TARP and the way it was rushed through Congress. Congressional leaders paired the bill with the hard-fought tax legislation for Midwest flood relief and equity for Midwest flood victims compared to what Washington did for Katrina victims. I voted against the second round of TARP funding because my initial concerns about the rest of the bill were justified, including my concerns that limits on executive compensation were too weak. As soon as Treasury received the funds, it decided to bail out big banks instead of buying up toxic assets, as they told us. Millions continued to lose jobs and homes, which makes me wonder about the program’s effectiveness. But you can’t measure effectiveness when you don’t know what the goals and objectives of a program are, or how the program is being run.

I am disappointed and frustrated that the Administration refused the Committee’s request for Mr. Kashkari to testify here today. It would have been nice to hear how he is gauging the success of the program. Mr. Chairman, I ask unanimous consent to enter in the record my letter to Secretary Pauslon dated November, 12, 2008. During his confirmation process, I asked Secretary Geithner for his commitment to respond to all of my inquiries, including this letter. There are certain answers that only the Administration can provide, and I will continue to push until I get them.

While the operation of TARP is troubling, it is a small relief to know that the program’s watchdogs are doing their jobs. I’m glad to have worked with you, Mr. Chairman, to create the Special Inspector General for the TARP, who will be testifying here today along with the heads of the Government Accountability Office and the Congressional Oversight Panel.

These watchdog agencies are vital to helping Congress and the American people keep track of multiple TARP and TARP-related programs that the Treasury Department is initiating. Treasury has announced several new programs just in the last two weeks, some on its own and some in partnership with the Federal Reserve. With so much happening so fast and so much taxpayer money at stake, the need for quality oversight and transparency has never been greater. Unfortunately, despite saying all the right things about open government, the new administration has not had made any major changes aimed at making TARP more transparent. Moreover, I have heard about potential problems with access to information from all three of these oversight bodies.

The Treasury Department told the Inspector General that it didn't want to ask banks what they did with taxpayer money provided through the Capital Purchase Program. So the Inspector General said he would ask the banks himself through an initial survey. At first, he faced a few bureaucratic hurdles, but he has now received responses from the several hundred financial institutions that received capital injections of taxpayer money. Contrary to the claims by some that it was impossible to know how the money was used, I understand that many of the responses provide a very clear understanding of where our money went. I guess the money was not as fungible as we thought and in fact if we want to know where the money went — with a little ingenuity, you can get a pretty good idea.

The Treasury's recently announced initiatives demonstrate an increasing reliance on partnerships with the Federal Reserve. However, these moves threaten the ability of the Government Accountability Office to monitor the program effectively. That's because the GAO is limited by statute from examining the activities of the Federal Reserve. That limitation is aimed at ensuring the Fed's independence in monetary policy. However, its unprecedented actions in the last year have taken it far beyond traditional monetary policy. Chairman Baucus and I have already introduced legislation to expand GAO's ability to obtain records from TARP recipients because the bill that created the program failed to grant GAO the authority to look into the books and records of TARP recipients.

The Congressional Oversight Panel has also had problems getting answers to some of its questions from the Treasury Department. According to the Panel's most recent monthly report, Secretary Geithner has failed to respond to key questions that have been pending since even before his time at the Treasury Department. Elizabeth Warren, the panel's Chair and one of our witnesses here today, wrote to him again on March 5, 2009, urging him to respond to her inquiries.

If these oversight efforts are to be successful, Congress must be willing to provide the necessary attention and support. Today's hearing is an attempt to do just that. We want to know if there is meaningful cooperation. We want to know what these organizations have recommended to the Treasury. We want to know whether the Treasury is taking those recommendations seriously and making meaningful changes. If not, then we need to help follow-up and make sure that the problems identified through this process are fixed. It's not about assigning blame. It's about making sure that government works. It's about making sure that government is accountable to the taxpayers who are footing the bill. With everything that is at stake, we can't afford to have it any other way, and we will not accept anything less.