Bachus Statement on Today's Actions by Financial Regulators

October 14, 2008

Congressman Spencer Bachus, Ranking Member of the Financial Services Committee, made the following statement today after financial regulators announced comprehensive and coordinated actions to address the current financial crisis.

Ranking Member Bachus said, “The coordinated program announced today by the Federal Reserve, Treasury Department and the Federal Deposit Insurance Corporation, includes major elements essential in addressing the crisis in confidence in the financial markets.

“As I said in the first meeting (September 18) where this intervention was discussed, a direct capital injection is the quickest, most direct and safest use of the taxpayers’ money to reduce the market turmoil threatening our economy and restore confidence in our markets.

“The banking system is the backbone of our economy. Maintaining confidence in banks of all sizes is essential to the well-being of the overall economy. For many weeks now, I and several colleagues have urged a temporary increase in deposit insurance on non-interest bearing accounts as a particularly effective measure to restore confidence in regional and community banks.

“The Federal Reserve action to purchase commercial paper is another of the alternatives I suggested during the first week of discussions of the Emergency legislation. This element addresses the need of Main Street businesses for credit to maintain jobs and the commercial activity closest to average Americans.

“The remaining areas that need to be given prompt attention are the mark-to-market accounting rules and short-seller regulations.

“The pro-cyclical effects of mark-to-market accounting are widely acknowledged as a major contributor to the current crisis. While it is also recognized that mark-to-market was a well intentioned attempt to address the abuses of Enron, WorldCom and others, the negative consequences in a market that is not functioning normally negate the benefits. The suspension of mark-to-market accounting would be unwarranted in a normally functioning market environment. In a full blown crisis, some alternative ought to be available to allow our financial institutions to value assets based on a reasonable expectation of anticipated payoff. Therefore, I will continue to urge the SEC to find an appropriate balance.

“For some time, I have advocated for the reinstatement of the up-tick rule for short sales. Hopefully, the Securities and Exchange Commission will quickly present a plan to avoid the pernicious effects of malicious short-selling by those who spread false information in the hope of profiting on the fall in stock prices of sound companies.”

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