EXECUTIVE BUSINESS MEETING TO CONSIDER THE NOMINATION OF TIMOTHY F. GEITHNER TO BE SECRETARY OF THE TREASURY

THURSDAY, JANUARY 22, 2009

U.S. Senate,

Committee on Finance,

Washington, DC.

The meeting was convened, pursuant to notice, at 10:12 a.m., in room 215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Rockefeller, Conrad, Bingaman, Kerry, Lincoln, Wyden, Schumer, Stabenow, Cantwell, Nelson, Menendez, Carper, Grassley, Hatch, Snowe, Kyl, Bunning, Crapo, Roberts, Ensign, Enzi, and Cornyn.

Also present: Democratic Staff: Bill Dauster, Deputy Staff Director and General Counsel; Cathy Koch, Senior Advisor, Tax and Economics; Ayesha Khanna, International Trade Counsel; Alan Cohen, Senior Budget Analyst. Republican Staff: Kolan Davis, Staff Director and Chief Counsel; Mark Prater, Deputy Chief of Staff and Chief Tax Counsel; Jim Lyons, Tax Counsel; and Nick Wyatt, Tax Staff Assistant; Carla Martin, Chief Clerk; Josh LeVasseur, Deputy Clerk.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The Chairman. The committee meets today to consider the nomination of Timothy Geithner to be Secretary of Treasury.

Henry Kissinger said, "It is the responsibility of the expert to operate the familiar, and that of the leader to transcend it."

In the current grave economic circumstances, America's next Treasury Secretary will not have the luxury of being simply an expert or simply a leader. Tim Geithner will need to be both. As an expert, he will operate in familiar halls: Mr. Geithner has served in the Treasury Department, he has significant fiscal policy experience. He will address familiar tax policy issues: he will need to work to close, for example, the tax gap; he will administer the IRS, and he will need to make it an efficient 21st century agency. He will perform these familiar tasks and he will need to perform them well. The fiscal health of our country depends on it.

But in these troubled times, Mr. Geithner must also transcend the familiar. He will need to lead the country out of the worst economic crisis in 70 years. He will need to take unprecedented action to administer hundreds of billions of taxpayer dollars.

Congress gave the Secretary the responsibility to implement the TARP program, and he will need to do it transparently, in consultation with Congress and the American people. He will need to lead the global economy out of a global crisis. He will need to ensure that other countries do not respond to crisis with protectionism.

We are in this together and we must work together to find a solution. He will perform these groundbreaking tasks and he will need to perform them well. Economies of countries around the globe will depend on it.

At times, Mr. Geithner will need to be both the expert and the leader. As Treasury Secretary, he will need to consider all whom the financial crisis affects. He will need to undertake the familiar task of helping small businesses like those in Montana and across this country, but he will need to wield new tools such as the Troubled Asset Relief Program to fix old problems.

Mr. Geithner will need to make sure that the American taxpayers who are funding this economic relief see the fruits of their hard-earned dollars. He will need to remember that he, like us, is just a hired hand. The people for whom we work will not have the patience for million-dollar Wall Street bonuses when Main Street

Americans are losing their homes. He will perform these old tasks in new ways, and he will need to perform them well. The very fabric of this country depends on it.

Small businesses and Main Street Americans drive our economic competitiveness. We must keep them uppermost in our thoughts as we work on the economy. Mr. Geithner cannot be both an expert and a leader without assuming great responsibility. I am confident that he will discharge his duties well.

Yesterday the committee considered Mr. Geithner's nomination for nearly three hours. Mr. Geithner fielded questions from TARP to tax reform, from entitlements to economic recovery, from China to Turbo Tax. In private meetings last week and again yesterday, Senators have had ample opportunity to ask Mr. Geithner about errors in his tax returns. Mr. Geithner told us that his mistakes were "careless, avoidable, but completely unintentional", and I believe that Mr. Geithner has taken appropriate steps to remedy what were honest mistakes.

The challenges facing this new administration are formidable. Our new President needs to have his Treasury Secretary in place to help address these challenges. So let us put in place a Treasury Secretary who has the experience and the expertise to do the hard, but familiar jobs that continue to face our country. Let us come together to support a nominee who has the leadership to transcend the distinct obstacles that confront our Nation in these troubled times, and let us approve the nomination of Tim Geithner to be Secretary of Treasury.

OPENING STATEMENT OF HON. CHUCK GRASSLEY, A U.S. SENATOR FROM IOWA

Senator Grassley. Thank you, Mr. Chairman.

As I said yesterday, consideration of a Treasury Secretary nominee is one of the most important functions of this committee. Yesterday, members spent several hours examining the qualifications of the man nominated to be the next Treasury Secretary, Mr. Timothy Geithner.

The Finance Committee and the Treasury Department are linked in areas of common policy.

I'm referring to tax policy, the public debt, tariffs and trade, and other important matters. So, committee members are rightly focused on the prospective leader of the Treasury Department, the Secretary, when the President sends up a nominee.

Mr. Chairman, in ordinary times, the Treasury Secretary possesses a lot of power. It is power that affects the policy we help set in this committee. As everyone is painfully aware, we do not live in ordinary times. Wall Street has unleashed a plague of financial problems on Main Street America. Congress responded with the Troubled Asset Relief Program or "TARP." The next Treasury Secretary will inherit the enormous powers and responsibilities that come with the TARP.

It is easy to assess Mr. Geithner's assets. He brings to this job a lot of experience in the financial sector. As President of the New York Federal Reserve Branch, he's literally and figuratively lived at the heart of the neighborhood of the financial crisis. Unfortunately, this also cuts against him since the bailouts to date don't seem to be working very well.

Yesterday, I revealed some of the concerns I've had with the Bear Stearns transaction. It was a deal where the New York Fed played an important role. I also made it clear that I expect more transparency out of the Treasury on these extraordinary deals. Mr. Geithner responded favorably to that expectation.

Every member of this committee and ultimately every member of the Senate must weigh the advantages of Mr. Geithner's financial sector background against concerns about Mr. Geithner's troubled tax past.

The nominee's troubled tax history was the subject of much of the questions and answers from members of both sides at yesterday's hearing.

I raised the awkwardness many of us, especially Chairmen Baucus and Conrad, must feel to support a nominee for Treasury Secretary who is a tax gap participant. The tax gap is not some academic or theoretical problem. What is the tax gap?

The answer is: it is the difference between what taxpayers legally owe and what they actually pay. The tax gap is not a theoretical problem. According to the Internal Revenue Service, the tax gap costs the Treasury $290 billion a year. The tax gap results from willful non-compliance and confusion on the part of taxpayers. So, I don't think we can take significant episodes of non-compliance by a potential Treasury Secretary lightly.

Despite the tax gap problem, Americans have a decent compliance rate, roughly 83 percent to 85 percent. That's better than a lot of similarly-situated countries. What worries me about moving forward with a nominee with admitted significant tax compliance problems is the ripple effect on taxpayers. I've also received e-mails from IRS agents who worry about the effect on morale at the agency.

No matter how the Senate votes, I have a suggestion for Mr. Geithner. If confirmed, one of his first meetings ought to be a forum with IRS rank-and-file employees to air out these concerns.

At yesterday's hearing, the nominee provided many answers to member questions about these tax non-compliance events. But those answers still give me pause. When asked to explain these irregularities, the nominee offered many excuses, accepted responsibility and apologized.

I will reiterate a point from yesterday’s hearing: in considering this nomination, this committee has a difficult road to travel.

As we heard from some committee members yesterday, there are some who believe that the nominee’s actions can be explained as simple and common mistakes. To those members, Mr. Geithner is possibly the only man for the job of healing our fractured economy.

On the other hand, we need to consider how much the nominee’s tax history could reflect on a Secretary of the Treasury. As Secretary, the nominee would be in charge of the IRS. If confirmed, would the nominee be able to effectively lead his department?

As the IRS employees, my constituents, and even some members of this Committee pointed out, most taxpayers who are audited by the IRS don’t receive any leniency. There is no “materiality” threshold when the IRS determines you owe taxes. There are taxpayers right now who have to jump through numerous hoops just to have the IRS remove liens on their property when they are struggling to make house and car payments or put food on the table. Many of these liens are for unpaid taxes that are much less than what the nominee owed.

At the start of yesterday’s hearing, I was hoping to get answers from the nominee that resolved any doubts on these matters in his favor. Unfortunately, the answers we received did not resolve those doubts. For those reasons, Mr. Chairman, I'm reluctant to support the nominee.

I have opposed presidential nominees for lesser problems, and supporting the nominee raises questions as to why this Committee even bothers to review the tax and financial information of nominees.

The Chairman. I will now recognize Senator Bingaman for four minutes. I would like all Senators to keep their remarks to four minutes.

Senator Bingaman?

Senator Bingaman. Mr. Chairman, I did not have remarks to give. I was just planning to vote. Thank you.

The Chairman. That is a great precedent you are setting, Senator. [Laughter.] You are a leader.

Senator Hatch? He is not present either. I am asking Senators in order of arrival, which is the customary committee rule. After Senator Hatch, Senator Schumer, you are next.

OPENING STATEMENT OF HON. CHARLES E. SCHUMER, A U.S. SENATOR FROM NEW YORK

Senator Schumer. I want to reiterate my strong support for Tim Geithner as President Obama's nominee to be Treasury Secretary. In these times, our financial system is entering troubled, dangerous, and unchartered waters and there is no navigator more suited for this job by way of intelligence, experience, inclination, and temperament than Tim Geithner. We all know that Tim has made some mistakes, which he has freely admitted and corrected. But these errors pale before the myriad of mistakes that need correcting made by the operators of financial institutions and government regulators overseeing them.

In my view, in these very difficult economic times, we need the very best, not the second best person in Treasury to correct those mistakes, and Mr. Geithner is that person. The depth of his experience, his understanding of the need for change, his prediction that we would have many of these problems, and his solutions that would have, had he been Treasury Secretary, mitigated some of the problems we are seeing, all make him so well qualified for this nomination that I hope there is broad bipartisan support for it.

Tim Geithner has been a leader in talking about regulating the unregulated areas of the market, like hedge funds and over-counter derivatives. Had we heeded his advice, the Treasury Department and the Federal Reserve might not have faced the failure of Lehman Brothers with an empty regulatory toolbox, because Mr. Geithner talked about the need for new powers after Bear Stearns' failure. The Bear Stearns failure was very similar to the Lehman failure.

So he faces an overwhelming set of challenges and tasks, but is uniquely qualified for this position. I would hope, in this difficult area of the economy, where President-elect Obama has made real efforts to reach out and create if not a consensus, a broad, bipartisan center of gravity, that a large number of votes for Tim Geithner would help us move along and continue in that direction.

Thank you, Mr. Chairman.

The Chairman. Thank you, Senator.

Next, in order of appearance, is Senator Kyl.

Senator Kyl?

OPENING STATEMENT OF HON. JON KYL, A U.S. SENATOR FROM NEW MEXICO

Senator Kyl. Thank you, Mr. Chairman.

During especially this economic crisis, I had many confidential conversations with Secretary Paulson. He shared very confidential information with me, and I kept those confidences and he kept mine as well. Because of that trust relationship, I think my judgments about a variety of things were much better informed and I am very comfortable with all the judgments that I made because of that. But a lot of it was based upon that personal relationship and the candor with which he was expressing his views to me.

That candor is critical for a good operating relationship between Senators, and certainly between us and key Cabinet officials. I am sad to say, because I very much wanted to support his nomination, that at this point I do not believe that the requisite candor exists for me to indicate my support for him with an affirmative vote.

I have had a lot of good meetings with him. I think that Tim Geithner has good instincts in dealing with a lot of the problems that we are going to be facing. I think he will bring good judgment and positions to the office, and in that respect will be a good advisor to President Obama. And while he will be constrained in some respects -- as you noted, Mr. Chairman, he needs to work to close the tax gap. He is probably not in the best position to credibly do that. But that is not disqualifying.

I am just very disappointed that I do not think, yesterday before this committee or in the responses to my questions, he displayed the kind of candor that I expect from someone to work very closely with. I hope, assuming that he is confirmed, that all of us will be able to work with him with a very close relationship. I certainly hope to develop that relationship. But I also cannot vote yes when I believe that, as of right now, he has not been as candid with me or with this committee as I believe he should have. So, reluctantly, as I said, I am not going to vote to confirm him.

The Chairman. Next, is Senator Nelson. Before I recognize Senator Nelson, I might note that Senator Nelson, a new member to our committee, is only the fifth member from the Sunshine State to sit on the committee. The most recent Floridian to sit on the committee was Senator Bob Graham, who retired at the conclusion of the 108th Congress. Florida is now attempting to catch up for lost time, as three of its five members have served within the last eight years. Senator Connie Mack, you might remember, was that third member.

Senator Nelson?

OPENING STATEMENT OF HON. BILL NELSON, A U.S. SENATOR FROM FLORIDA

Senator Nelson. Thank you, Mr. Chairman.

The Chairman. You are welcome. Welcome to the committee.

Senator Nelson. And it is a great honor for me to be here. I am particularly excited about this because the action is going to be in this committee in the next couple of years because of the enormity of the economic crisis that this committee will have to address. So, I am looking forward to working with all of our colleagues on a bipartisan basis.

Mr. Chairman, I am going to vote for the nominee. I want to put down a marker: I do not think that there was the specificity that should have been forthcoming. I will give him the benefit of the doubt, but my attitude is conditioned on the fact of the meeting that we had with Larry Summers, which was a private meeting, and there was a lack of specificity there. I think that this is a time that there has to be the exchange between the two branches of government.

Now, the nominee said that he firmly believes, and he represents that the administration firmly believes-- and knowing the President and the Vice President as we do

I think they do believe--in the separation of powers, that if we are going to confront an economic crisis like we have, that the legislative branch has to be in a constant dialogue so that we can be a partner in solving this. The marker I want to place down is, I would urge the Secretary and all of the people that are engaging in trying to find a solution, to have a free flow of ideas with us in the Senate, and specifically this committee.

I just want to note what the nominee said yesterday. You were very kind to allow me to sit in, Mr. Chairman, even though I was not officially a member of the committee as of yesterday. This is what he said: "Our expectation is, our hope is, that we will be able to come forward relatively quickly with a comprehensive plan. I don't want to provide any specific details today..." Well, that is what I thought should have been provided yesterday. So I will take the nominee at his word, that he will "come forward relatively quickly with a comprehensive plan".

Thank you, Mr. Chairman.

The Chairman. Thank you, Senator.

Senator Bunning?

OPENING STATEMENT OF HON. JIM BUNNING, A U.S. SENATOR FROM KENTUCKY

Senator Bunning. Thank you, Mr. Chairman.

The financial crisis we are experiencing today did not happen overnight. It could have been avoided. As Mr. Greenspan now admits, the easy monetary policy that he and Mr. Geithner championed at the Federal Reserve created an asset bubble. Large capital inflows from countries like China for the purpose of keeping its currency low contributed to the bubble and they went unchecked.

But the collapse of the bubble would not have happened and been so devastating if Mr. Geithner had been effective in his role as a regulator. Mr. Geithner talked occasionally about systemic risk in his role as a chief regulator of the major banks, but he sat idly by and the devastating risks became more and more concentrated in the hands of a few large financial institutions and the pricing of risk detached from reality.

Mr. Geithner's testimony yesterday showed that he did not understand the new financial products he endorsed were weapons of financial destruction. Trillions of dollars in savings held by retired Americans have been destroyed as a result. When the crisis became apparent last fall, Mr. Geithner helped craft a plan presented to Congress as the only way to save us from a new depression.

The plan would have resulted in the transfer of $700 billion from taxpayers to banks with no strings attached. Hundreds of economists immediately criticized the plan and Treasury reluctantly agreed to add a few strings to it. Nevertheless, the TARP plan may prove to be the largest transfer of taxpayer money to wealthy investors and bank executives in the United States' history.

Now we learn that Mr. Geithner is comfortable with giving taxpayers' money away, not so much with paying them himself. He relied on e-mails--and I have a direct e-mail that I want to read from shortly--from an accountant that I have here. But in the same e-mail chain, he received contrary advice from an expert at the IMF, namely Kimberly. I will not use her last name.

Contrary to his testimony, he was informed indirectly by Kimberly as early as 2004 that his returns for 2001 and 2002 were wrong. He chose to ignore the IMF expert's advice and relied on an unsupported statement by an accountant with no experience in preparing these types of returns. Now he and President Obama are proposing a $500 holiday on Social Security premiums for every

American in the form of a tax credit. This proposal will make it less likely that the Federal Government can afford the paper IOUs it has written to the Social Security trust fund. It threatens the very viability of the safety net that Americans will now need more than ever, thanks to Mr. Geithner's effort as a regulator.

For all these reasons, particularly the fact that he applied for and promised to pay, in writing, extra money from the IMF to pay his taxes, I cannot in good conscience support the decision to go forward with this nomination without a more thorough investigation of Mr. Geithner's role in the current crisis and the numerous tax issues that have come to light in the course of a routine investigation.

This is a quote from the e-mail between Mr. Timothy Geithner and an accountant: "I spoke to [blank]"--I am not going to use her name--"and she gave me additional information regarding your retirement roll-over. As it relates to your income, what she says is that for U.S. citizens at the IMF, the wages are treated as self employment income. She is a U.S. citizen and as she described it in her own circumstance, she actually reports her wages as self employment income and completes the form that calculates self employment tax. I noticed on the 2002 return that the only self employment tax was on [blank]’s income. Nothing from you. This is inconsistent with what [blank] said she does on her return. Did you work for the IMF in 2002? The tax return you provided me with doesn’t provide a wage schedule and the W-2s were not attached." End of e-mail, end of statement.

The Chairman. Next, Senator Menendez. I might note before recognizing the Senator from New Jersey that Senator Menendez is the 12th member from New Jersey to serve on this committee, the 12th from the Garden State. He resumes a long line of New Jersey Senators to serve on the committee, the most recent being Senator Robert Torricelli, who retired in 2002, and Senator Bill Bradley, who retired in 1996.

While one of the founding 13 States, New Jersey has never had one of its members serve as the chairman of the committee. It joins Illinois as the States with the highest number of members on the committee, but without ever having a member serve as its chairman. The new Senator may even break that record at some future date.

Welcome, Senator, very much.

OPENING STATEMENT OF HON. ROBERT MENENDEZ, A U.S. SENATOR FROM NEW JERSEY

Senator Menendez. Thank you, Mr. Chairman. I would be happy to just serve under your leadership for a long time. Let me say how honored I am to be a member of the committee and to work with you, Mr. Chairman, under your leadership. I know there is an incredible amount of work that we need to accomplish, and that I am sure we will accomplish. I also look forward to working with the Ranking Member, whose views I know quite well from my presiding time, listening to his statements on the floor, as well with all the other members of the committee.

Mr. Chairman, I watched the hearing yesterday and was able to hear the answers of Mr. Geithner to some very important questions, and I do believe, from both that hearing as well as my own extended opportunity to meet with him in my office, that he has learned some of the lessons and mistakes of the past.

I believe he is the right person for this job, with incredibly important credentials at a time in which we need the brightest persons available to be able to lead the country in its economic effort, working with the President and the Congress. This economy is teetering on a tightrope. We need a steady, bright, and sturdy hand to get us through this financial tsunami, and I believe we have no time to waste.

American families are scared, jobs are being cut, pensions are being drained, and wallets are getting thin. It is frustrating to see the impact of the storm, knowing that there were red flags ignored by so many. But we cannot change the past, we can only learn from it.

We learned a $350 billion lesson, and taxpayers are expecting there to be no feelings of deja vu this time around. The money, from my view, has to be used to increase lending, liquify the credit markets, not simply to buy healthy banks. It needs to decrease foreclosures, not simply fill the banks' coffers, and have increased transparency and accountability, not a rubber stamp from Congress.

I had the pleasure of meeting with Mr. Geithner last week for a rather extended time, and I appreciated his thoughtful answers to my questions. I intend to support his nomination, and I hope the Senate will do so as well, quickly, so that we can get to work on putting America back to work, getting our economy straightened out, and realizing the hopes and dreams and aspirations of our people.

Thank you, Mr. Chairman.

The Chairman. Thank you, Senator.

Next, Senator Enzi. Welcome, Senator Enzi, a new member of our committee. I might remind all of us here that you, Senator, are the sixth Senator from the Equality State to serve on the Finance Committee, and of course assume the seat of the late and beloved Craig Thomas. He was a wonderful member of our committee. Of course, we all know, Senator Enzi has served as Chairman and as Ranking Member of the Health Committee, so we are going to very much welcome you here, Senator. Your expertise on health issues and pension issues will be very helpful. Welcome.

[Applause.]

Senator Enzi. Thank you, Mr. Chairman. Thank you, Mr. Roberts. [Laughter.]

OPENING STATEMENT OF HON. MICHAEL ENZI, A U.S. SENATOR FROM WYOMING

Senator Enzi. As a new member of this committee, I appreciate the welcome that I have received from the Chairman and the Ranking Member, and my fellow colleagues. I am an accountant by trade and look forward to working on positive, pro-growth changes to our tax policy that can bring recovery to our Nation's economy and discipline our Federal budget.

The legislation that goes through the Finance Committee affects more people than anyone realizes. Our work directly affects people's wallets, and I am humbled by this opportunity to serve.

I thank you for allowing me to comment on Mr. Geithner's nomination to the U.S. Treasury. I have serious concerns about Mr. Geithner and I am not convinced that he is the right man for the job at hand. I was not able to take part in the hearing yesterday, but I got to watch the rerun last night and followed the three hours that you asked the questions.

I am really disappointed that we are even voting on this. In previous years, nominees that had made less serious errors in their taxes than this nominee have been forced to withdraw. This is the man who is going to be in charge of tax reporting and collection. It is an unusual precedent, I think, for a committee in charge of taxes. I cannot believe the vetting process did not find that. I looked at the 100-plus questions that everybody had to answer in order to be nominated. I have a lot more comments that I would make on the bail-out that he participated in, but I would just make those a matter of record.

Thank you, Mr. Chairman.

[The information appears in the appendix.]

The Chairman. Thank you, Senator.

Next, is Senator Carper. Welcome, Senator, to the committee. As you well know, you are the 11th Senator of the first State to serve on this committee. You assume the seat of the former chairman, Bill Roth. Of course, you know who the other chairmen were that represented Delaware on the Finance Committee: there is Senator Thomas Francis Bayard, who served as Chairman from 1879-1881; and of course Senator Roth served as Chairman from 1995-2000.

Welcome, Senator.

OPENING STATEMENT OF HON. THOMAS CARPER, A U.S. SENATOR FROM DELAWARE

Senator Carper. Thank you very much, Mr. Chairman. If I am fortunate enough to stay on this committee for a while, I will have to stay here a long, long while until I will be chairman of this committee. This is a long line, looking from here around the corner over to you. I walked in and was talking with some of the staff in the room before we came in, and I said, where is my seat? They said, you are out sitting with the press out at the press table. I said, I do not care where I sit, I am just happy to be in the room.

I just want to say to my colleagues, a number of you were good to give me advice, counsel, and encouragement over the last eight years as I have sought to become a member of this committee. Some of you have worked for longer than eight years to serve on this committee. Those of you, whether you worked for 8 years or 8 months to get here, or 18 years, you know as I do, this is a wonderful committee to serve on.

I greatly respect our Chairman and our Ranking Member. I had an opportunity to work with them on a number of issues in the past, important issues that I have enjoyed, and I think were important for our country.

I have had the pleasure of serving with many of you on other committees, and working with you on issues that related to those committees, and some that did not.

I want to go back to Mr. Geithner for just a few things. I had an opportunity to visit with him, as all of you have done. I did not have an opportunity to attend yesterday's hearing. But I think, in looking for a Treasury Secretary--I have known a bunch of them, so have you, and I have worked with a number of them, so have you--we want somebody who is really bright, uncommonly bright, somebody with a strong work ethic, somebody who understands not only the way Treasury works, but the way this place works, the way the Federal Reserve works, and understands financial institutions, Tim Geithner understands all of those things. He brings a very strong resume.

The question is: has he screwed up on his taxes? By his own admission, he has, and not just once, but a couple of times. The question is not did he pay his personal income taxes, Federal taxes, State taxes. He paid those. The question is, the mistakes that he has made with respect to the lack of withholding for his Social Security taxes, his FICA taxes, should that be a disqualifier?

The thing that I liked most about my meeting with

Mr. Geithner was that he said -- he did not say this is somebody else's mistake. He did not make excuses. He said, I screwed up. This is on me. This is not anybody else. I am not blaming my accountant. I made a mistake. I should not have made these mistakes, and I have made them.

I would just remind all of us as we sit in judgment of this nominee, or other nominees in the future, none of us is perfect. God knows, I make mistakes. One of my core values, a value I think I share with at least one of you, probably most of you on this panel, is to focus on excellence in everything we do: if it is not perfect, make it better. Mr. Geithner needs to serve as a role model for all of us. In our positions, we need to serve as role models and we have to subscribe to a higher standard than most ordinary citizens. Clearly, he needs that, and he has learned that lesson.

I will close with this thought. Chuck Schumer said he thought that Mr. Geithner could be a navigator, and fewer better suited to be the navigator to navigate us through these tough times. I am old Navy guy, spent about 23 years in the Navy. We talk about, when we have a tough job ahead of us, turning an aircraft carrier. You can turn an aircraft carrier, but it is hard and you need the whole crew working together in order to turn it when we are running into dangerous waters. And God knows, we are running into dangerous waters and it is going to take our best efforts of every one of us in the executive branch, in the legislative branch, and in the private sector as well to get us out of this mess that we are in and keep us off the shoals.

I am thrilled to be here with all of you and look forward to working with you toward that end.

The Chairman. Thank you, Senator.

I would note the arrival of the good Senator from Utah, Senator Hatch.

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH

Senator Hatch. Well, thank you, Mr. Chairman. I am happy to be here with you. This is a very important nomination. It is a very important time for our country. I intend to vote positively for this nominee. I think there is room to criticize, certainly, and what happened should not have happened. But I believe he made honest mistakes, and I believe that this human being is the right person for this country at this time.

We are in real difficulty. This man has had extensive experience working in all areas of the financial community. He worked eight years for the Treasury Department, has worked with Ben Bernanke and Treasury Secretary Paulson, has had extensive experience in Asia. I am convinced he is a person of great integrity, even though he has made these mistakes.

I come at this from a position that the President of the United States deserves support on his selection of Cabinet officials, unless you can show some lack of integrity or some criminal conduct, or some really offensive conduct on the part of a nominee. Now, we all acknowledge that what happened with regard to his tax returns should not have happened. It is serious stuff.

On the other hand, what he is going to be handling is very serious stuff, too. There are very few people in this country who have the qualifications that he does.

Plus, I believe he is non-ideological, which to me is very, very important, to have a person who is going to put aside politics at this particular time, even though he comes from a different side of the spectrum than I. I think that is a very, very important thing and I commend the President for making this choice, knowing that he is not going to follow the ideological line of the far left or the far right.

Hopefully, he can do this job in a way that all of his abilities and all of his experiences seem to indicate. I believe he should be given this opportunity to serve this country. We will all be watching him very carefully, and of course he will have multiple hearings before this committee. This is one of the most important committees in the Congress. I think this, and the Ways and Means Committee, are the two most important committees in the Congress.

I appreciate you, Mr. Chairman, and the work that you do in this area. I wish Mr. Geithner well. Our country is going to depend on his abilities, and I believe he has the abilities to help us at this time, and that, to me, is a very profound and important aspect to why I support him.

The Chairman. Thank you, Senator. Thank you very much.

Next, Senator Cornyn, you are recognized next. But before I do recognize you formally, just a couple of words of history. As you well know, you are the ninth Senator from the Lone Star State to serve on this committee. This committee, by the way, was formed in 1816. I think it is one of the first, if not the first, committee formed by the Congress.

You are the first Texan to sit on the committee since Senator Phil Gramm, who retired in 2002. Of course, one of the big notables is a former Chairman of the committee, Senator Lloyd Benson, who then became the 69th Treasury Secretary, coincidentally, for our country. You are the 350th member to serve on this committee, again, that started in 1816.

Welcome, Senator.

OPENING STATEMENT OF HON. JOHN CORNYN, A U.S. SENATOR FROM TEXAS

Senator Cornyn. Well, thank you, Mr. Chairman, for those words of history. They make my membership on this committee even more significant than I thought, certainly in that historical context. But I look forward to working with you, Senator Grassley, the Ranking Member, and all committee members on both sides of the aisle as we face uncertain times and economic crisis, namely getting the economy back on track, making sure that we do not raise taxes on working families, expanding markets for goods made by our farmers and small businesses, and reducing our reliance on foreign energy and improving the quality and affordability of health care for all Americans.

I especially look forward to working on our biggest fiscal challenge, which is the economic tsunami that threatens to engulf us unless we undertake fundamental entitlement reform.

President Obama nominated Mr. Geithner as his Secretary of Treasury soon after the November election. Although I have just become a member of the committee, I have followed the committee's work with respect to this nomination and had the opportunity to visit with Mr.

Geithner.

During our meeting I expressed my concerns regarding the TARP program, the lack of transparency, the lack of participant, really, of the legislative branch once we voted to authorize up to $700 billion, only to find the former Treasury Secretary essentially pivot and embrace a program which they had rejected earlier, all without really sufficient transparency and legislative oversight, which I think is very important.

Then, of course, there is the precedent established of using the money to bail out the automobile industry by the former administration, which I hope will not be used as a precedent-setting opportunity to do further private sector bail-outs that basically deviate from the program that Congress originally authorized.

I share the concerns expressed by a number of members of the committee about Mr. Geithner's failure to pay his self-employment taxes. I respect the views of all members of the committee with regard to how they intend to vote, but I find myself actually in accord with Senator Carper in a number of ways, thinking about all of us having made mistakes in life, and then acknowledging those and trying to do better. I am willing to give Mr. Geithner the benefit of the doubt.

Although, I am not willing to give him the benefit of the doubt, or frankly any of the masters of the universe, who basically think they know better than Congress or the American people on how to fix the economy. I think the experience we have had with the first stimulus passed last January, which basically had zero impact, the best I can tell, except to increase the deficit by about $160 billion, the other attempts that have been made to deal with this flagging economy, which basically have led me to the conclusion that, notwithstanding the goodwill and best efforts of some of the smartest people in the country, and perhaps on the planet, they really do not know what to do, which I think ought to give us some humility and an extreme note of caution about what we embrace and how fast we pass legislation not knowing how the money will be used, and particularly whether it will have the desired effect, whether it will merely add to the deficit, whether it will merely add to our financial problems that are very severe indeed.

So, I am gratified to be here and I will support this nomination. I look forward to working with Mr. Geithner and the administration to get the economy moving again and create jobs, keep taxes low, and expand opportunity here at home.

The Chairman. Thank you, Senator.

Senator Roberts, you are next.

OPENING STATEMENT OF HON. PAT ROBERTS, A U.S. SENATOR FROM KANSAS

Senator Roberts. Were you going to talk about the history of the committee and Bob Dole being on it? [Laughter.]

The Chairman. Well, if you wanted to leave and come back again, we will. [Laughter.]

Senator Roberts. No. I know once I leave, what happens. [Laughter.] Conrad bolts the door. I had charts out there I was going to bring in, but Senator Conrad would not let me do that because he is the chart master of the Senate.

Senator Grassley. Of the universe.

Senator Roberts. I think he would probably like me to get to my statement.

I would like to say that I am not going to split the shingle on the tax issue any more. I think Senator Bunning and Senator Enzi pretty well summed that up, and I share their views. I am a little puzzled by some on the committee who said they really appreciated the answers by Mr. Geithner, who I think has displayed a considerable grasp of economic issues, no question about that. But it was general background and it was discussion.

It was not specific in terms of answers to specific questions by people on the committee, namely Senator Grassley, who asked very specific questions and they were not answered, Senator Kyl, who asked very specific questions, Senator Bunning, who asked very specific questions, I asked a few questions. But by that time the Chairman was worried about time, so he got out his Lizzy Borden gavel and that was the end of that.

I thought Mr. Geithner was a very good witness from the standpoint of being a person who could not be in a position of providing specific answers because he is waiting on marching orders from Mr. Summers, and also the transition team. I think most of the nominees are in that position, and that is unfortunate because I think this committee needed to really get at the specific questions mentioned by the Senators that I have mentioned, and others on the other side.

I would like to identify myself with the remarks made by Senator Cornyn, the new member of the committee who pretty well summed up my views, so I would associate myself with those remarks.

I thank you, Mr. Chairman.

The Chairman. Thank you, Senator.

Senator Conrad, you are next.

OPENING STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator Conrad. North Dakota. How many?

The Chairman. We will work on that, Senator.

Senator Conrad. All right.

The Chairman. We are stretching our brains to see how far back we can go.

Senator Conrad. All right. [Laughter.] Thank you, Mr. Chairman.

First of all, I want to apologize for not being able to be here yesterday. But we had a hearing in the Budget Committee at the exact same time on our short- and long-term fiscal challenges, and for that reason I could not attend.

One of the things we talked about yesterday was the causes of the current financial crisis. My own belief is that it is the combination of a loose monetary policy under the control of the Federal Reserve, coupled with the very loose fiscal policy under control of the Congress and the President, combined with a lack of regulation and a deregulatory climate that led no one to be effectively "minding the store".

That trifecta led to the creation of a seed bed from which bubbles formed. We did not just have a housing bubble, although we have certainly had that. We also had an energy bubble, we have a commodity bubble. When wheat goes to $18 a bushel, that is a commodity bubble. When energy went to $145 a barrel for oil, that is an energy bubble. And a housing bubble--all of these bubbles, I think, flowing from a common set of causes. Mr. Geithner was not responsible for those failures.

In an attempt to address the crisis that has developed, we had a rebate program last year that cost over $160 billion. I think the evidence is really quite strong that that was not very effective. We then had TARP 1, the first half of TARP, $350 billion committed to preventing a collapse of the financial system. My personal belief is, while many mistakes were made in the handling of those funds, if we had not had the first half of TARP I believe we would have faced a financial collapse. I believe the Dow today would be in the 4,000 range.

And while I personally think that there were serious mistakes made, that there was not a requirement that banks use the money that they received to expand the provision of credit, that they were not prevented from using taxpayer funds to buy other healthy financial institutions and that they were not prohibited from giving bonuses to executives at firms benefitting from taxpayer funds.

Those were serious problems that need to be corrected in the second half of TARP, but I believe the second half of TARP is absolutely necessary. I believe a rescue package is absolutely necessary. If we have learned nothing, just to watch the events of this week with the Royal Bank of Scotland losing two-thirds of its value on Monday, with Barclay's skating on the precipice, with other key financial institutions still under grave threat, including major institutions of our own.

On the matter of Mr. Geithner's failure to pay certain self-employment taxes, I find it completely unacceptable. I am a former tax commissioner. I have dealt with hundreds of cases like this one. In normal times, that alone would lead me to oppose his confirmation.

But these are not normal times and I personally do not think we can afford a further delay in the filling of this critically important position. I think we are not anywhere near out of the woods, that very serious days lie ahead of us and that it is absolutely imperative that we get a Secretary in place. This man does have the background to contribute to solving this crisis. For that reason, I will support his confirmation.

I thank the Chair.

The Chairman. Thank you, Senator.

Senator Crapo, you are next.

OPENING STATEMENT OF HON. MIKE CRAPO, A U.S. SENATOR FROM IDAHO

Senator Crapo. Thank you very much, Mr. Chairman. I, too, join with you in welcoming our new members to the committee. I was the one on our side who worked with our Leader to help put all this together, the committee assignments and so forth, so I know what goes into these decisions. I truly look forward to working with Senator Enzi, Senator Cornyn, Senator Carper, Senator Menendez, and Senator Nelson as our new members here.

This is a tremendous committee, and as the discussion we are having today shows, the issues that we deal with are far-reaching and, particularly in today's climate, very momentous. I, too, intend to support the nomination. I tend to share the sentiments made by Senator Carper, and joined in by Senator Cornyn with regard to the tax issue.

With regard to the substantive issues regarding how we are going to deal with our economy and the incredible threats that we face today, I find myself in an interesting position. I did not vote for the first rebate plan and, as Senator Conrad indicated, it did not really do much, if anything. It was $160 billion that our children and grandchildren are now going to have to pay back. I did not vote for TARP 1 because I did not think the toxic asset purchase plan was sensible. I was one of those who was quite pleased when there was a pivot and the funds from TARP 1 were used in other ways.

I do not know that I am as confident that they were used wisely even then, but another $350 billion is now spent as we face a $1.2 trillion deficit, not counting the stimulus package that is being put together and the TARP funds, and it appears to me that Congress is in a runaway spending mode and we need some strong leadership to help us work through these issues.

I had a long meeting yesterday, and I have had other conversations with Mr. Geithner, and I do not know that he comes from the perspective I would come from, frankly, because as Senator Cornyn indicated, and I agree with these comments of his as well, I am not sure anybody knows exactly where we ought to be going and how we ought to be managing the situation in terms of the governmental intervention that everyone is contemplating. I have strong doubts about what we expect to see from TARP 2. I have even stronger doubts about what we are seeing in the stimulus package and the way that it is being crafted.

But the reason I intend to vote yes is because I believe, of those decisions that we need to face, Mr. Geithner has a strong background and already a strong involvement and engagement and is going to be able to be a strong member of a leadership team that our President has asked that we put together and move forward on. Like I say, after discussing issues with Mr. Geithner I am not sure that he comes from where I come from, but he is the President's nominee and we need somebody in place who can start working, and working aggressively.

I agree with the sentiments that Senator Hatch shared as well, namely that I am confident that he will be a very open Secretary of Treasury and will work with not only both sides of the aisle, but with all perspectives in trying to come together and identify the right path forward for our country.

So although I have great reservations about the direction that we and the administration are looking at going, I am willing to support this nomination and get on with the issues of trying to work these things through.

Thank you, Mr. Chairman.

The Chairman. Thank you, Senator.

Senator Ensign?

OPENING STATEMENT OF HON. JOHN ENSIGN, A U.S. SENATOR FROM NEVADA

Senator Ensign. Thank you, Mr. Chairman. I also look forward to working with the new members of the committee on both sides. I think we have some very talented new members. This is a tremendous committee and the issues that we face are extraordinary right now, not only in our economic times, but with entitlements coming and looming forward we have some huge challenges that this committee in particular is going to have to tackle, and obviously the Congress and the administration.

A couple of comments on what Senator Conrad mentioned. I share your views on the fiscal irresponsibility of the Congress and the administration in the last many years as being part of what has gotten us into this mess. I also share your concerns about monetary policy and what the Fed has done.

The one place that I would probably disagree somewhat--part of it I would agree with--is on regulation. We certainly should have had a much stronger regulator at Fannie and Freddie. That was a huge mistake. There were people warning of that. The Banking Committee on our side attempted to do that, and that was blocked. That should have been done.

But where I would disagree, is this was not just a question of lack of regulation. This was over government involvement in the private sector. But for very laudable reasons, we wanted to increase low-income home ownership in the United States. That is a laudable goal.

The unintended consequences is that it created a bubble between CRA and not just setting out goals, but actually requiring banks to get into these subprime markets, and then taking Fannie and Freddie and allowing them to get in, and then every year setting higher and higher goals, and really requirements, for them to get into the Alt A loans and the subprime loans, created a situation in the United States where a lot of people got into homes that could not afford them, and also it led to a lot of the selling off to various parties and all of these various financial packages of home mortgages where you lost the accountability.

All of that created the perfect storm for this bubble. Then if you remember back earlier in this decade, everybody was so pleased that the housing market was saving the economy. It was the only good part of the economy. We were all happy about it, so nobody wanted to ask any questions about it. But it was a big mistake.

So today we have a situation where the housing market now has drug down the rest of the economy and we are in a financial crisis now. It is very difficult to see our way forward in exactly the right thing to do, but it is going to be incredibly important to study history. What were similar times in history? How did we get out of them? What actually worked, what did not work?

That is one of the reasons that I addressed my questions to Mr. Geithner yesterday on the Great Depression. I was somewhat dissatisfied with his answers yesterday, and in a lot of the questions that I had in writing afterward I was dissatisfied with some of the answers that he had yesterday as well, because, frankly, he has a different philosophy than I do.

But you know what? He is the President's choice. I am a firm believer, unless there is something egregious, even if I disagree philosophically with somebody, when a new manager is in town, that they do deserve their management team. That is why I am going to support the Geithner nomination today. I do have concerns, the same with you, Senator Conrad, about his tax issues.

When Senator Kyl was asking the question yesterday about, when he was informed and he paid some of his back taxes, why did he not pay the other one? A simple answer is, most Americans would not have paid their other back taxes because it was past the statute of limitations. I actually would have accepted that answer from him, because he did not owe them because of the statute of limitations. That is something fundamental in our law.

But that was the only troubling part, I think, of his testimony to me, is that he would not admit that. He danced around the issue. Senator Kyl asked it, and asked it, and asked it, and he would not actually respond to that. That was the only really troubling part of the testimony, I guess, to me yesterday.

So, anyway, it is an important nominee. We all have to work together now with him, and we are going to have to go forward and work together as Republicans and Democrats to figure our way out of this economic situation, because people are hurting really badly in the United States today, and especially for those who have lost their jobs or may be losing their jobs, and those who have lost their homes or businesses.

So, thank you, Mr. Chairman.

The Chairman. Thank you, Senator, very much.

Senator Cantwell?

OPENING STATEMENT OF HON. MARIA CANTWELL, A U.S. SENATOR FROM WASHINGTON

Senator Cantwell. Thank you, Mr. Chairman. I am not a new member of the committee, but I do think I am the second member or so from Washington State, given Scoop and Maggie's long history, so I think it is probably since the 1930s since there was a member from Washington State on this committee. So, I have enjoyed --

The Chairman. Was Maggie on the committee?

Senator Cantwell. I do not believe so.

The Chairman. He was Appropriations.

Senator Cantwell. Somebody before that. So it was quite a while away. So I have appreciated my time on this committee, representing the State of Washington. I also want to say, Mr. Chairman, I think at yesterday's hearing you basically characterized my concerns about the entire financial situation with your statement, I think in round two, to Mr. Geithner.

That is that I think our country and our country's economy is known for innovation, for the hard work, the skills of our workforce, for the ingenuity of the American people, whether that is in agriculture, whether that is in manufacturing, in aviation, or in software.

But a lot about our economy of late has been determined by the financial markets and what has transpired in the financial markets.

I look at this nomination and I want to know whether the smartest guys in the White House are going to find out what the smartest guys in the room have been doing. I mean, that is how they are characterized, right, in books and novels now, the smartest guys in the room, these people on Wall Street who can cook up the latest financial tools and out-fox our regulatory system. It has not just happened once, it keeps happening again. It is not whether it is Enron today or credit default swaps of the moment, it is what is going to be the next financial tool that is going to be cooked up?

So to me, while I very much appreciate and consider the title of Secretary of Treasury as a great honor to be bestowed on someone, the title that I am even more interested in that Mr. Geithner will hold is chairman of the President's Working Group on Financial Markets. This particular group in the past has really held the keys to what the administration's framework on regulatory oversight is going to be.

For the last several years, we in Congress have tried to get our hands around the derivatives issue. We were constantly thrown the recommendations of the

President's Working Group, not wanting to do anything on the regulatory side of derivatives. It was just this past 2008, or maybe 2007, when we finally, after five years, got the Enron loophole closed. But really what stymied it for so long was the former advisors to the President's Working Group who kept saying, no, we do not want to do anything to close those loopholes. So, Mr. Geithner will be in a very important position to influence the regulatory framework moving forward.

So yesterday I asked him a series of questions about credit default swaps, about position limits, about exactly how he wanted to move forward on the regulatory framework and what he thought the promises of doing that were, as well as what the faults of the current system had been. I would have to say that I wish Mr. Geithner probably would have been more specific about the President's plan in moving forward, but I understand that they are still under development on that.

So I come to this hearing today with a lot of concern about where we are going to get, as a Congress, on that regulatory issue. But like many of my colleagues here, I think about what the President's choices are in presenting this nominee to us. I appreciate that the President has chosen someone who is not from Goldman Sachs, has not spent a ton of time making money on Wall

Street, but has basically been a public servant in various regulatory oversight positions at the New York Fed and at the IMF.

So I am going to support Mr. Geithner today in hopes that we can work with the administration on what that new regulatory framework will be, and that we will have a more transparent system as it relates to TARP and to the use of those funds, but that this administration will be aggressive at putting in a new framework that really does say that this administration and Congress, whether it is in coordination with the SEC and the CFDC, is going to allow those industries that have made our country so great the financial framework to continue their success.

It is not a $62 trillion credit default swap industry that has made our country great, nor will it be the lack of oversight and regulation of that industry that will pull us out of this economic crisis, only transparency and the proper regulatory framework that will allow us to get our financial markets to allow the American economy and what has made us great to be restored.

So I look forward to working with Mr. Geithner and holding him accountable to his promises of a very strong regulatory framework for our country.

I thank the Chairman.

The Chairman. Thank you very much, Senator.

Senator Lincoln?

Senator Lincoln. Mr. Chairman, I will just submit mine for the record.

The Chairman. All right.

[The prepared statement of Senator Lincoln appears in the appendix.]

The Chairman. Senator Stabenow, you are next.

OPENING STATEMENT OF HON. DEBBIE STABENOW, A U.S. SENATOR FROM MICHIGAN

Senator Stabenow. Thank you, Mr. Chairman.

Just briefly, let me indicate that I intend to support this nomination of Mr. Geithner. I think he certainly brings the intelligence and the expertise. It is clear this is an incredibly important position. I think the President has put together a very, very strong economic team. Frankly, there is no State right now that is more impacted by decisions that are made on the economic front than my State. This week, the unemployment numbers have gone up to 10.6 percent and expect to go up to 11 or 12.

When Mr. Geithner was talking about the need to focus on jobs and redirect the TARP funding more specifically to open up credit markets for consumers and small businesses, I think that is incredibly important. I am counting on him and the economic team to follow through on commitments related to manufacturing in this country, new, advanced manufacturing that has been the backbone of the middle class in this country and will continue to be if we have a 21st century manufacturing strategy. So, I look forward to working with him and the entire team.

Thank you, Mr. Chairman.
The Chairman.   Thank you very much, Senator.
Senator Snowe?

OPENING STATEMENT OF HON. OLYMPIA J. SNOWE, A U.S. SENATOR FROM MAINE

Senator Snowe. Thank you, Mr. Chairman.

I, too, want to offer my support to Mr. Geithner. I think that there is no question that we are in the midst of perilous economic times. As I said yesterday, the Treasury Department's mission is both to oversee and to be the steward of both our financial and economic systems, both of which are simultaneously in a crisis that can best be described as monumental.

As this recession approaches the longest and deepest since World War II, the cascading collapse of the housing market, combined with the unregulated, unchecked, irresponsible instruments and investments in our financial markets have had disastrous economic repercussions on hardworking Americans. As we all know, 2.6 million Americans have already lost their jobs and are facing this year with most profound dread.

The financial markets have fallen precipitously. Credit markets are still failing to function, frankly, anywhere close to normal. This is the morass out of which the next Secretary will have to chart a course. It has to be the next Secretary who is equal to that challenge.

We heard extensively yesterday from the President's Treasury nominee, Mr. Geithner, on a range of issues. We know his background, which certainly is significant in terms of not only having served for five years as president of the New York Federal Reserve, but also worked in three different administrations for five different Treasury Secretaries. So he can draw on an exceptional reservoir of experience and expertise that is going to be so critical in facing and grappling with the economic challenges that really are unprecedented in our modern economic system.

At the same time, leadership demands the ability to translate vision into action. As I indicated to him yesterday, it is a prerequisite not only to identify a problem, but also to act upon it. And so his combined experience and expertise will have to go hand in glove with very aggressive management and leadership on the problems that we are facing in this country.

To that point, it will be to act upon transparency and accountability. More than anything else, the American people deserve to have confidence in the $700 billion that has been authorized to help rescue the financial system in this country. They deserve to have transparency, they deserve to have accountability by elected and non-elected officials.

Those who are reaping the benefits of this rescue plan by receiving funds must be required to lend that money and to live by the conditions that Congress establishes and imposes. Because to do less is eroding the public's confidence, not so much in what is happening in our economy, but the fact that our solutions are not effective in addressing the over-arching problems facing this country.

We have a right to demand accountability from those financial institutions that are receiving funding through this rescue plan. We have a right to establish restraints on executive compensation. We have a right to know whether institutions are making those loans. Frankly, I find it disdainful that so many of the banking institutions in a recent newspaper survey were unwilling or did not feel obliged to respond to the inquiries regarding whether they were making loans.

So those are the challenges to which Mr. Geithner will have to respond. He certainly has the background and the depth of experience that will allow him to address these challenges that also are going to require very aggressive and strong leadership. I do believe that his resume is essential for this time.

He may well be the right man for the time, and certainly demonstrates that his background and experience in understanding financial policies and programs, the financial markets, and the financial system is absolutely instrumental and central to navigating our future economic course, and certainly is commensurate with the gravity and the enormity of the times that America finds itself in.

So for all of those reasons, Mr. Chairman, I am going to support Mr. Geithner because I do believe that he can offer the leadership for these compelling times.

The Chairman. Are there any Senators who wish to speak? Senator Rockefeller wishes to pass.

Senator Wyden, Senator Kerry?

Senator Wyden. Very briefly, Mr. Chairman.

Senator Kerry. Go ahead. You were here.

OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON

Senator Wyden. Mr. Chairman, you cannot solve a problem if you do not dimension it. For months, the country has been waiting to get an accurate assessment of how serious the liabilities are with respect to the books of America's financial institutions.

Several committee members asked about this very question yesterday and Mr. Geithner said it was complicated. It clearly is. But I am of the view that the effort to have the financial institutions of this country disclose the true measure of their liabilities must be accelerated. The country cannot get on top of this problem unless it does, and hopes that this committee, on a bipartisan basis, will push very, very hard for Mr. Geithner, if confirmed, to do that work. I will vote for the nominee today.

Thank you, Mr. Chairman.

Senator Kerry. Mr. Chairman?

The Chairman. Thank you, Senator.

Senator Kerry?

OPENING STATEMENT OF HON. JOHN KERRY, A U.S. SENATOR FROM MASSACHUSETTS

Senator Kerry. Thanks, Mr. Chairman.

Just from the few comments that I have heard here, first of all, I said yesterday I will support Mr. Geithner. I think that we need to get that team in place. But let me say to my colleagues that a lot of this responsibility is going to be ours and we need to move with an authority and a determination and speed that we do not often do around here, if I may say. Trying to get a measurement on the liabilities is complicated because they are going to change every day.

In many cases the books are going to get worse by the day, and they will get worse unless we begin to face up to -- we have a credit card crunch coming at us, you have got real estate, commercial real estate crunch coming at us. As the economy goes down and more and more people are unemployed, each of those is going to get exacerbated.

So we are really in a situation where -- I have heard some people on the other side say, well, I am afraid that this package may be too great in an effort to stimulate the economy. Right now, we have got too many banks -- Senator Snowe, in terms of making people lend, if you are a banker and you are also charged with the responsibility to live up to regulatory standards, the loan you make has to be a loan that is made responsibly.

If you are staring at an economy where consumerism is going inwards, downwards, and an economy where the prospects of getting that loan repaid are very difficult, it is very hard to say, well, you have got to lend, because you might be violating those standards, number one. And number two, just violating common sense, that you are not looking at a return on the investment, a return on equity.

So we have to turn that around in this economy. We have to begin to give people a sense that the marketplace has a future. I think the greatest single source of that future, personally, is going to be in a combination of immediately stemming the hemorrhaging in States by preventing layoffs of firefighters, of teachers, of public people, others, and helping mayors and States to sort of stem that tide, which begins to spread some optimism -- in local establishments people sit there and say, well, you know, I got a job, or I am going to be able to buy the house.

Then the second part of that is the future parts of the economy, and particularly that is the energy policy. If we can stop sending a billion dollars overseas as frequently as we do a day or a week and start putting it into the southwest or into other parts of the country, our economy is going to change overnight, dramatically.

So these things are staring us in the face and I think we up here have got to act in a way that, in 25 years I am not sure I have not always seen us act, but I hope that we will because I think we, both in the stimulus and in the tax package, or the stimulus recovery, whatever you want to call it, that gets money out into the marketplace for the things that will change behavior, and two, the tax incentives that will do that, we are going to have a profound impact on this. I hope this committee and the others charged with that responsibility will effect it.

Thank you, Mr. Chairman.

The Chairman. You are welcome, Senator.

As I have been listening to this debate, at the risk of prompting further debate, there is one comment I just cannot help but make. Namely, in my judgment, without getting into what the answers are to how we get out of this mess, addressing how we got into this mess, one thing that strikes me and I think is a principal reason is that so many institutional investors, so many banks were just so over-leveraged. They just borrowed way, way, way too much. They made a lot of money and they leveraged 30, 40 times, maybe up to 50 times. Now that those loans are due, their derivatives go deeper, and deeper, and deeper, and deeper in the hole.

Just a couple of anecdotes here. It is true for all of us. We talk to our banks back home, smaller institutions, and we find--at least I find--that they are not in trouble. They are not in trouble. They did not borrow like this. They did not borrow 40 times their assets. They did not borrow like that.

I must also say, I was in the UAE three or four weeks ago and met with Avandia. That is the largest sovereign wealth fund in the UAE. I asked, how are you doing financially? They said, we are doing great. Now, of course, that is probably what they were expected to say. But then they volunteered: we are not leveraged. We did not leverage. A little bit on the real estate side, but basically we are not leveraged.

Now, of course, they have got some oil and they have got some cash, but still they were not leveraged. It is the leverage in some respect which has caused this hole to get deeper, and deeper, and deeper, in my judgment. I just very much hope that, whether it is the SEC, whatever the regulatory agency is, that we begin to set some limits on leverage.

Now, paradoxically, we now want those institutions to lend. They probably borrowed too much back then, but today we want them to lend to get the economy going again. But it is my hope that we would just set some limits on leveraging. I fault the SEC here. They dropped the ball. Maybe other institutions, too. But I just do think that is the largest part of the problem.

I see that all Senators have spoken. It is time for a vote. I will entertain a motion that the committee report the nomination.

Senator Rockefeller. I so move.

The Chairman. A recorded vote has been requested. The Clerk will call the roll.

The Clerk. Mr. Rockefeller?

Senator Rockefeller. Aye.

The Clerk. Mr. Conrad?

Senator Conrad. Aye.

The Clerk. Mr. Bingaman?

Senator Bingaman. Aye.

The Clerk. Mr. Kerry?

Senator Kerry. Aye.

The Clerk. Mrs. Lincoln?

Senator Lincoln. Aye.

The Clerk. Mr. Wyden?

Senator Wyden. Aye.

The Clerk. Mr. Schumer?

Senator Schumer. Aye.

The Clerk. Ms. Stabenow?

Senator Stabenow. Aye.

The Clerk. Ms. Cantwell?

Senator Cantwell. Aye.

The Clerk. Mr. Nelson?

Senator Nelson. Aye.

The Clerk. Mr. Menendez?

Senator Menendez. Aye.

The Clerk. Mr. Carper?

Senator Carper. Aye.

The Clerk. Mr. Grassley?

Senator Grassley. No.

The Clerk. Mr. Hatch?

Senator Hatch. Aye.

The Clerk. Ms. Snowe?

Senator Snowe. Aye.

The Clerk. Mr. Kyl?

Senator Kyl. No.

The Clerk. Mr. Bunning?

Senator Bunning. No.

The Clerk. Mr. Crapo?

Senator Crapo. Aye.

The Clerk. Mr. Roberts?

Senator Roberts. No.

The Clerk. Mr. Ensign?

Senator Ensign. Aye.

The Clerk. Mr. Enzi?

Senator Enzi. No.

The Clerk. Mr. Cornyn?

Senator Cornyn. Aye.

The Clerk. Mr. Chairman?

The Chairman. Aye. The Clerk will announce the results of the vote.

The Clerk. Mr. Chairman, the final tally is 18 ayes and 5 nays.

The Chairman. The ayes have it. The nomination is ordered reported, and the committee is adjourned.

[Whereupon, at 11:27 a.m., the meeting was concluded.]

I N D E X