



For Immediate Release  
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**Hearing Statement of Senator Max Baucus (D-Mont.)  
Regarding the Proposed Bank Tax and the TARP Program**

The Epistle of James says: "See how great a forest a little fire kindles!"

The financial crisis of 2008 kindled a fire that spread through our entire economy.

That fire destroyed more than 8 million jobs. That fire led to more than 6 million foreclosures. And that fire led to 3 million bankruptcies.

The spark for that fire was lit in the financial industry.

To generate huge profits and big bonuses, the financial sector was playing with fire. Big banks were writing bad mortgages that they should have known folks were not going to be able to pay. And they would have known it, if they had done their homework on the loan applications.

Next, big banks bundled good and bad mortgages together and sold them to investors. They called these bundles "collateralized debt obligations" or "CDOs." And they called selling them "securitization."

And then big banks insured the collateralized debt obligations against failure. They called their insurance policies "credit default swaps." Credit default swaps allowed the banks to protect their risk and make big profits even if the mortgages that they were writing went bad. Basically, they hedged their bets.

Unfortunately, the financial system did not have enough money to cover all its bets.

And now there are charges that big banks may have been both assembling packages of mortgages on one side and betting against them at the same time.

Then the spark kindled the flame. And suddenly, our nation's economy was engulfed in the fire.

The Dow plunged, dropping to just above 6,500 in March of 2009. Unemployment rose above 10 percent.

Then-Treasury Secretary Paulson knew that he had to act. He came to Congress with a proposal to save the economy. The proposal turned into the emergency law that authorized the Treasury to distribute almost \$700 billion through the Troubled Asset Recovery Program, or TARP.

I knew when we were working on this legislation that we needed to hold the Treasury and TARP recipients accountable for how the money was spent. TARP was spending hard-earned taxpayer dollars to save the big banks.

And those big banks had been paying out bonuses worth billions of dollars. Those big banks had sometimes been rewarding excessive risk taking.

So I proposed that we build right into the law a special, unbiased investigator. This investigator would ensure the transparency and accountability of TARP funds. That proposal resulted in the Special Inspector General for the Troubled Asset Relief Program. And that person is sitting before us today, Mr. Neil Barofsky. Welcome, Mr. Barofsky.

Mr. Barofsky is responsible for overseeing the TARP program. He keeps track of where the money goes, how it is spent, and whether it is paid back.

And that leads us to the purpose of today's hearing.

The TARP legislation anticipated that there might be losses. Congress anticipated that the banks might pay back something less than all of the TARP money.

The most recent estimates anticipate that the Treasury will end up losing about \$89 billion. We need to think about how we are going to get that money back on behalf of American taxpayers.

In January, President Obama proposed a bank fee to recover TARP losses. His fee is estimated to raise \$90 billion over 10 years. It would apply to about the 50 largest financial institutions in the country.

This Committee is going to take some time over the course of several hearings to consider the President's proposal and other options to recover TARP losses.

We want to understand the best approach to designing a fee, to whom it should apply, and how it might affect the economy and the markets. We need to learn whether banks will pass it on to consumers, and how it might affect lending to small businesses. And we need to take into account what European countries might do as they consider similar levies.

We begin today with Mr. Barofsky. We'll ask who has benefited from the TARP program, how much they have repaid, and why some TARP beneficiaries might never be able to pay back the American taxpayers.

The financial crisis of 2008 kindled a great fire that spread through our entire economy.

Let us examine how widely that fire spread. Let us see who benefitted from our efforts to put out the fire. And let us try to learn what we can to prevent such further economic fires in times to come.

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