has been that, you know, establishing risk management... that the bailout of the financial system, which has been so productive. We want to curb unconstrained risk-taking in a group of financial institutions... There is going to be the Federal Reserve. I have to say that there are people who say, well, either you create a brand new authority, and we all agree with that. Is it essential that we... authority to deal with various... ability to act well before that time to diminish the need for... securities firms would be a complex undertaking, I believe it... liquidation of that firm. The fiducial law also requires that... the FDIC the authority to act as a receiver for an insolvent bank... process currently in place under the Federal Deposit Insurance... of future financial crises.

By contrast, many major central banks around the world have... on the part of financial... institutions and prevent another Bear Stearns? And can they do... prevented a run-on-the-bank type crises which could have spread... the job of Congress to strike that proper balance. The Fed's powers and responsibilities should be commensurate.

But my question is this. I think this is an important task, the... focus on market stability... Group on Financial Markets issued a report and recommendations... steps that the United States should take in the near term, all... structure and improve both market oversight and market... have been working together to ensure the stability of the... in the event a large financial institution fails. Resolution in the event a large financial institution fails... the mandate to do this. Therefore, we should consider how to... in a group of financial institutions... that we do so. And, I believe, and the first trip this committee took when I became... capital markets, which will in... people that we do so.

Clearly, that has been the case with regard to subprime... believe, and the first trip this committee took when I became... However, that we create a system focused not on failure, but on... to the greatest extent possible. The... authority to just get information but to deal with various...

We have clearly gone... controversial. It does seem to me that we have... in the future. The... banking... and prevent another Bear Stearns? And can they do... the job of Congress to strike that proper balance. The Fed's powers and responsibilities should be commensurate.

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you to comment on do we have a comparative advantage on the
That energy is now beginning to trump labor costs. And that
obviously, as everyone else is, about energy and the incredibly
service. And I want to say before I ask a question that I am
Mr. Moore of Kansas. Thank you.
other financial institutions are playing.
well capitalized now in the sense of--in an inventory sense.
discussed.
mortgage market.
role there at this point, a very big part of the existing
Chairman Bernanke.

The Chairman. The gentleman from Kansas.

Mr. Watt. --institutions into the model.
model is sort of an optimum long-term model to start the
out of this equation. And I don't know where they go in these
Secretary Paulson. Well, it could be. You could have an
supported by Federal guarantee; and a third focused on
address my concerns. But three areas you outlined: A regulator
to go forward. We hope to have it--you know, we will
countries around the world that don't have market-determined
polices are pro-growth policies, they are continuing to
going through a tough period right now. But I travel around the
We are
money out of thin air, and it doesn't work. It has never worked
happened because we didn't have enough regulation, so Congress

Dr. Paul. But anyway, I would like to pursue the theme of
is going to go forward. We hope to have it--you know, we will
Secretary Paulson--I'm over here, I know you are looking
conversations on that.

The Chairman. Mr. Secretary, I'm going to cut you off

Mrs. Maloney. Absolutely, if time permits. If time permits,
first time.

current period. And so we are seeing how a number of these
Secretary Paulson. Congresswoman Maloney, that's an
more specialization and less concentration offer any benefits

Huge trading operations have also put more mundane
financial markets is at the helm of Treasury and really
someone who has deep experience in the day-to-day operation of

Drs. Bernanke and Paul. It's clear that the financial sector
and challenges, some have said that the repeal and deregulation

I would like to see if I can get the Secretary of the

Dr. Paul. Thank you, Mr. Chairman. And welcome, Secretary

Mr. Chairman.

Mrs. Maloney. Absolutely, if time permits. If time permits,

Mr. Watt. So that--would that take the portfolio of the
Secretary Paulson.

Chairman Bernanke. Mr. Secretary, I think I would

Mr. Watt. In other words, has a--a

The Chairman. The gentleman from Kansas.

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Mr. Watt. --institutions into the model.
can take to make the system as a whole stronger, so that should
happen for the history of the U.S. Government bailing them out?
clarify its views on how they would like to see these firms
arrange. You know, we have joined the SEC in looking at
made available without strings attached to investment banks.
point being made in the editorial was that there is money being
``Bail Out Ben,'' which I guess is attributed to you. But the
security that we are onsite in those firms, working with the SEC to make
SEC has been their oversight regulator for some time, and they
I'm one of the newer members, as you can tell by my seating
is, you betcha. And we have a lot to do.
percent. And so again, I really think the price of oil is being
weakens, and then it just keeps going around?
The gentleman from Minnesota?
be very much the center of the discussion.
Mr. Bernanke. That has been done. I think it's just a bit
Mr. Bernanke. Well, it's a preliminary matter of fact. I
communities are able to go out and hire.
Mr. Cleaver. There are those who suggest that had Congress
who are thought on Wall Street to be so important, something we
creditors, who are going to come out of this thing whole, even
should have borne the risk, the shareholders, the subordinated
anything either.
We will be reviewing these conditions and terms and try to
that we have; and, given the exigencies of the weekend, it was
a moot question.
have we done extensive analysis of the systemic implications of
bailouts, even in the context of Bear Stearns?
again, as long as we stick to the basic principles of
The triumvirate, which is always critical, is capital
supervisory practice and supervisory expectations.
Again, as long as we stick to the basic principles of
others. There really is a remarkably globally-integrated
forward?
I think the implication here in the next Congress, the next
that we want to do it right rather than quickly. However,
which is always critical, is capital
supervisory practice and supervisory expectations.
13(3) authority?
So I think the IPC authority is an important authority and
it has important flexibility, but I certainly agree that
13(3) authority?
With respect to timeframe, you know, again, it's really
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now adjourned.

the crisis situation, and I believe that we will be able to
and the bills in both Houses.

their various powers, so that if crises arise they can be met.

urgent with very specific legislation. I do not believe that it
on paper. And you can't be urgent in theory. You have to be

and the Chairman of the Federal Reserve did respond very

begin the questioning there with those who didn't get to ask a

addressing.

approach is to take other countries where they have accounting

accounting regimes that have different standards and different

Secretary Paulson. Yes. I totally--you should definitely

I want you two to be able to finish what you're doing to get us

it--but if this is correct, and they do it like this, I will

accept anything wholehearted, no matter how good the source.

be it. Again, I agree with the Chairman. I don't necessarily

done to try to stabilize the books and stabilize--and again I'm

right now--if that doesn't raise hackles on the back of your

Now that alone right there--greater latitude in reporting

give companies greater latitude in reporting earnings.''

international rules which are set by foreign organizations and

Free speech works both ways.

article. So is that correct?

other regulation. I don't think that was clear from the

article. Nothing in that, as you have described it, Mr.

The Chairman. Can I--let me just speak. The Secretary

are comfortable with and is very similar to FASB, I don't think

internationally active companies a choice--this doesn't apply

Mr. Bernanke. Well, there are two elements. One is that

and the qualities are very similar to what we see in the United

concentrating on those accounting regimes where the standards

opinion is of the matter.

regulate our own financial markets.

investor protections. And I think it raises questions on

It raises questions on how do we make the transition. It

American regulators no longer have authority here, and the

My concern with that is, I'm not opposed to moving

and the funding and liquidity. I strongly agree with that, and I have

emphasis that the Fed and the SEC are placing on the investment

Mr. Capuano. Thank you, Mr. Chairman.

quid pro quo that if we are going to lend to you, you have to

liquidity holding in particular, because that turned out to the

demands on the firms. We have insisted that they raise their

know. But as I have mentioned, between us we have made strong

doing it relatively quickly, hopefully I guess theoretically

accounting standards--a little overstatement, maybe a little

apologize--but just a few days ago there was a story in the

to go through the roof, and they're going to get shaky. It's my

understand it, you have addressed those issues that, you know,

so-called rumors about Fannie and Freddie today, and as I

but I think it would actually help the market, it would help

reason--I believe that if these requirements were put in a more

funding and liquidity. I strongly agree with that, and I have

Mr. Bernanke. --which already have a well-established

firms that are borrowing from us. There are the commercial

...