Statement by Rep. Michele Bachmann
House Financial Services Committee Hearing
"An Examination of the Extraordinary Efforts by the Federal Reserve Bank to Provide Liquidity in the Current Financial Crisis"

February 10, 2009

Thank you, Mr. Chairman.

After the Federal Reserve's first $29 billion bailout for Bear Stearns last March, the American people have watched Congress put more than $1 trillion of their hard-earned tax dollars out on a limb. This tab includes $200 billion to bailout Fannie and Freddie, $300 billion for a failing loan mitigation program that's helped only 25 people, $85 billion for AIG, and of course, $700 billion for the giant financial service sector bailout -- plus $110 billion in "sweeteners" that were added to pass that bailout plan.

Many of us here in Congress fought tooth and nail for consideration of alternatives to these bailouts which exposed taxpayers so dramatically and have so far been unaccountable and inefficient. And yet, without a single vote from Congress, the Federal Reserve has quietly created six different lending facilities that are financed by U.S. taxpayers, the most recent of which will total $200 billion to entice investors to purchase securities backed by credit card, auto and student loans.

Congress voted on the $700 billion Troubled Asset Relief Program (TARP). It voted on "Stimulus I" which comprised $168 billion in tax cuts and rebate checks. And, this week, it will vote on another so-called "stimulus" that amounts to another $1 trillion. But it didn't vote on the $8 trillion in lending and guarantee programs enacted over the past year by the Fed and the FDIC. These programs were established under existing authorities and have more or less flown under the radar screen.

When all of these programs are combined, the taxpayers' coffers are exposed to more than $9.7 trillion. $9.7 trillion of the taxpayers' hard-earned money is at risk, Mr. Chairman, and it's hardly even discussed in such naked terms. That is astounding.

Bloomberg News reported yesterday that that is "enough to pay off more than 90 percent of the nation's home mortgages." It goes on and states, "The $9.7 trillion in pledges would be enough to send a $1,430 check to every man, woman and child alive in the world. It's 13 times what the U.S. has spent so far on wars in Iraq and Afghanistan, according to Congressional Budget Office data, and is almost enough to pay off every home mortgage loan in the U.S., calculated at $10.5 trillion by the Federal Reserve."

The Fed's authority to take such actions is broad and loosely defined. Section 13.3 under the Federal Reserve Act is a short provision, often referred to as the discount window, which gives the Fed it's most expansive power to open the taxpayers' wallets to anyone it chooses, so long as the Board deems such action is necessary due to "unusual and exigent" circumstances.

While I understand the need for emergency response tools, I am concerned that this provision is so broad and unaccountable that it has the potential to really harm the taxpayers over the long run.

This is truly an extraordinary power. Our Committee should seriously examine whether it should be scaled back or reformed to instill more transparency and accountability and to avoid unintended consequences.

Chairman Bernanke, I appreciate you being here to discuss this important issue.

Thank you, Chairman Frank, and I yield back the balance of my time.