PERMISSION TO CONSIDER AS ADOPTED MOTIONS TO SUSPEND THE RULES

Mr. SCOTT of Virginia. Madam Speaker, I ask unanimous consent that the motions to suspend the rules relating to the following measures be considered as adopted in the form considered by the House on Saturday, September 27, 2008: House Resolution 1224, H.R. 4131, H.R. 6600, H.R. 6669, S. 3536, S. 3598, S. 3296, and S. 2304.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Virginia?

There was no objection.

The SPEAKER pro tempore. Without objection, respective motions to reconsider are laid on the table.

There was no objection.

THE DEFEAT OF THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008

(Ms. KAPTUR asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. KAPTUR. Madam Speaker, this was an amazing day in the Congress of the United States. The American people were actually heard, and fear was put on the shelf as we stopped hasty action that Wall Street powerhouses had attempted to ram through this Congress. It was a sobering day. It was an exhausting day. Now we have to get to work to create a new moment: to draft legislation on a bipartisan basis that is responsible, that is rigorous and that meets the real needs.

This includes securities and exchange reform legislation to expand credit flows. The SEC and bank regulators must act immediately to suspend the fair value accounting rules; they must clamp down on abuses by short sellers, and they must withdraw the Basel II capital rules. These will go a long way to expanding credit flows at the local level.

We have to stabilize our housing markets on Main Street, and we have to reform the regulatory process and investigate the wrongdoers who brought America and the American people to this juncture.

We have to fund the FBI to go after those who have exhibited malfeasance, accounting fraud, who have used abusive practices, and who have made billions doing it.

I want to thank the American people and this Congress for doing what was right, not what was hasty.

REGULATING WALL STREET

(By William M. Isaac)

The Fed's decision to open the discount window to Wall Street firms, and to subsidize the takeover of Bear Stearns, requires that we rethink the regulation of Wall Street. How we resolve the issues will have profound effect on our financial markets for years to come.

Before attempting to come up with answers, we need to make sure we know and understand the questions. I will try to identify the important ones.

A. Who Gets Access to the Safety Net? Under What Circumstances? What Price Do They Pay? The federal safety net (i.e., the ability to borrow from the Fed and to offer insured deposits) was created to promote stability in the banking and thrift industries, and the cost is borne by banks and thrifts. The deposit insurance fund now exceeds $50 billion, and each year the Fed pays to the Treasury billions of dollars of profits earned in part from interest-free reserves maintained by banks.

If we expand the safety net, which firms should be included—investment banks, hedge funds, leveraged buyout firms, insurance companies, others? How will we draw the line—size of firm, inter-connections to other firms, harm a failure would cause to consumers or businesses, the potential impact of a failure on financial stability?

If non-banks are granted access to the safety net, will they be required to help pay cost? Would it be fair to banks and thrifts to have invested billions per year in the safety net for much of the past century to suddenly allow non-banks to obtain the benefits of the safety net? What would be the competitive effects on banks and thrifts?

B. Who Will Regulate Our New Universe of Safety Net Firms? Treasury argues that we need to revamp the regulation of financial firms in view of the new world of finance in which commercial banks, thrifts, investment banks, insurance companies, and others perform many of the same functions. It is suggested that we need to consolidate the regulators while designating a single ''market stability'' regulator.

I would argue that the genius of the American system of government is the diffusion of government power. We do not believe in centralized planning, and we rely heavily on checks and balances.

One of the clearest lessons of the S&L crisis of the 1980s is that we must have an independent deposit insurance agency armed with the full array of examination and enforcement powers. The former FSLIC, which insured deposits at S&Ls, was a toothless agency operating as a subsidiary of the primary regulator. The failure to provide that check on the S&L industry was an important contributing factor to a taxpayer loss of some $150 billion. Are we prepared to go down that path again in our pursuit of a tidy organizational chart?

We currently have at least four agencies heavily focused on maintaining stability in the financial markets—the Fed, the SEC, the FDIC, and Treasury. Do we really believe that having a single agency fretting about market stability will be an improvement? If so, which agency has been proven to have such all-knowing vision and wisdom?

The major problem confronting our financial system for the past year is the collapse in the residential real estate markets. Did the banking agencies and Treasury not notice that unregulated mortgage loan brokers were sprouting up everywhere, that securitizations were providing unprecedented liquidity to mortgage markets, that home loan underwriting standards were deteriorating, and that home prices were skyrocketing? Did the agencies seek more information or take actions to dampen the frenzy, were they rebuffed, or did they not appreciate the potential problems?

Take a look at the public debate while the real estate bubble was building. You will find the Fed and Treasury touting the Basel II capital regime as the way to make more precise calculations of how much capital was really required in our banks. It was argued that this would allow our large banks to reduce their capital to international norms, or about half the U.S. level. Does that sound like folks who were concerned in the slightest about a bubble in real estate?

Thankfully, the FDIC, the OTS, and a few Congressional leaders fought against eliminating the minimum capital requirement for U.S. banks. As bad as things might be right now, how much worse they would be if Basel II had breezed through without a minimum capital standard and our major banks had leveraged their balance sheets even further during the past few years?

One final question to ponder as we debate our future: Would we be better served by a messy, contentious, and some times frustrating regulatory system that moves cautiously or by a highly efficient system that runs with alacrity off the nearest cliff?

Would it be more appropriate to legislate that non-banks develop and pay for their own safety net? Should we impose new standards to reduce greatly the odds that non-banks will ever need to use the safety net again? Might it be appropriate to enact tough ground rules restricting the ability of the Fed to lend to non-bank firms in the absence of a national emergency? Should the Fed be allowed to act unilaterally?

If non-bank firms are included in the bank-funded safety net, what sort of regulation will we impose on them? Will it be equivalent to the regulation of banks, i.e., capital regulation, liquidity requirements, examinations, reporting requirements, compliance regulations, limitations on loans to affiliates and officers and directors, restrictions on ownership and permissible activities, lending limits, and a full range of regulatory enforcement powers?

If non-bank firms are included in the bank-funded safety net and then fail, how will the failures be handled? Will they be subject to the receivership powers of the FDIC? If not, who will administer the receivership?

Do we want our central bank providing liquidity and also handling failures? We used to have a comparable system in the S&L industry with disastrous results.

If we go down the path of comparable regulation of commercial banks and investment banks, will investment banks be able to continue their high-risk underwriting and investment activities so vital to capitalism? If not, will they remain in the U.S. or move their headquarters to London or Dubai?

HOW TO SAVE THE FINANCIAL SYSTEM

(By William M. Isaac)

I am astounded and deeply saddened to witness the senseless destruction in the U.S. financial system, which has been the envy of the world. We have always gone through periods of correction, but today's problems are so much worse than they needed to be.

The Securities and Exchange Commission and bank regulators must act immediately to suspend the Fair Value Accounting rules, clamp down on abuses by short sellers, and withdraw the Basel II capital rules. These three actions will go a long way toward arresting the carnage in our financial system.

During the 1980s, our underlying economic problems were far more serious than the economic problems we're facing this time around. The prime rate exceeded 21%. The savings bank industry was more than $100 billion insolvent (if we had valued it on a market basis), the S&L industry was in even