EXTENSIONS OF REMARKS

FINANCIAL OVERSIGHT

HON. VIRGINIA FOXX

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Friday, October 3, 2008

Ms. FOXX. Madam Speaker, I submit the following articles for the RECORD:

OVERSEERS PLAN FOR UNPRECEDENTED TASK

(By Joseph J. Schatz and Phil Mattingly)

If the House clears the financial bailout package, the federal government within weeks will be wielding new authority to buy hundreds of billions of dollars worth of mortgages.

And thanks to provisions added by lawmakers during the past two weeks, Congress would be ready to effectively oversee the program.

At least that's the plan.

But in order to work, both the program itself and the oversight entities that are supposed to hold it accountable might require a significant infusion of financial markets expertise—perhaps from firms that have collapsed during the recent turmoil on Wall Street.

The process of managing, implementing and contracting out a huge program—in many ways akin to an investment bank located in the Treasury Department—would present Congress with a unique oversight challenge. Some suggest lawmakers would be hard-pressed to keep track of what's going on.

''It's almost a retail operation, and you can't constantly be coming back to some congressional board for oversight or something like that,'' William Gale, director of the Brookings Institution's economic studies program, said during an Oct. 1 discussion on the bailout package. ''Mainly what's going to happen, is Treasury is going to do it, and they'll report back to the public now and then. But I just don't see a strong role for oversight in all this, despite what people say.''

If the House follows the Senate's lead and clears the package, the Treasury Department wants to begin buying financial institutions' shaky assets ''as quickly as possible.'' White House spokesman Tony Fratto said Thursday. ''It's a complicated thing that they'll be trying to put in place, and I'll let them explain it. . . . I think it's at least weeks.''

At its core, the bill would set up a Troubled Assets Relief Program (TARP) at Treasury with authority to purchase mortgages or mortgage-related securities. As requested by Treasury Secretary Henry M. Palson Jr., Treasury could decide whether those purchases occur through an auction process or directly from a financial firm.

''There's a lot to work out and plan in terms of managing that process,'' said Paul Wachtel, an economics professor at the Stern School of Business at New York University.'' Developing a bureaucracy that can do so well is not a simple problem.''

''I think whomever is elected [president] in a month or so ought to designate his secretary of the Treasury pretty quickly,'' House Financial Services Chairman Barney Frank, D-Mass., said Thursday on CNBC.

OUTSIDE HELP NEEDED

The Treasury Department might contract out a great deal of the work to stressed financial institutions—a possibility that some watchdogs see as raising conflicts of interest. The legislation would waive the normal federal contracting process.

''For all of the oversight, there may not be much in the form of accountability,'' said Gary D. Bass, founder and executive director of OMB Watch. ''You have to consider the possibility that some of the people who got us into this in the first place are the people who will be getting these jobs. Does it mean Goldman Sachs is now going to be arm-and-arm with the federal government?''

And as it assembles its oversight operation, Congress might also need to bring in help from Wall Street.

The legislation passed by the Senate and awaiting House action would set up three oversight functions.

The first would be a board composed of the Treasury secretary, the chairman of the Federal Reserve, the commissioner of the Securities and Exchange Commission, the Housing and Urban Development secretary and the Federal Housing Finance Agency director. That panel would review such things as appointments, how the Treasury Department determines which assets to buy and how the purchases are made.

The bill would also create a bipartisan panel of two House members and two senators that would submit reports to Congress on the program's transparency, effectiveness and market impact.

But most of the oversight responsibility would fall on the Government Accountability Office, an arm of Congress. The bill would empower the GAO's top official, the comptroller general, to set up an office within Treasury at Treasury's expense to conduct detailed oversight including yearly audits. The CAO would have access to all records, books and accounts.

That oversight office would be an enormous undertaking likely to require a large number of new personnel with significant financial acumen.

All three oversight bodies would issue reports to a newly established inspector general appointed by the president. That person would have a $50 million budget and would coordinate all audits and investigations.

''You would have to hire people with the kinds of expertise [the government agencies] do not have at the current time,'' said NYU's Wachtel, noting that could mean an influx of Wall Street finance experts. ''The kind of people who understand the structure of these securities would be helpful,'' Wachtel said. ''That understanding is not widespread. . . . That's one of the reasons we got to where we are.''

Some outside observers are impressed by the accountability Congress has tried to write into the legislation.

''They tried to build some accountability into this process while still allowing for some free-form experimentation with the program itself because they're not sure exactly how it's run,'' Thomas Mann, a senior fellow at Brookings, said at the Oct. 1 roundtable.

[From CQToday, Friday, Oct. 3, 2008]

OVERSIGHT PROVISIONS

OVERSIGHT BOARD

A Financial Stability Oversight Board would review the Treasury Department's use of the authority granted to it by the bill and the effect of the department's actions on financial and housing markets. The board would also make recommendations to Treasury regarding use of its authority and would report any suspected fraud, misrepresentation or malfeasance to the special inspector general for the program. It also could appoint a credit review committee to evaluate how Treasury exercises its authority to buy troubled assets.

The board would consist of the chairman of the Federal Reserve Board, the Treasury secretary, the director of the Federal Housing Finance Agency, the chairman of the Securities and Exchange Commission and the secretary of the Department of Housing and Urban Development. The board would report to appropriate congressional committees.

The bill also would create a bipartisan panel of two House members and two Senate members that would submit regular reports to Congress dealing with the program's transparency, effectiveness and market impact.

GAO OVERSIGHT AND CONGRESSIONAL REPORTS

The bill requires the Government Accountability Office (GAO) to conduct oversight of the activities and performance of the program and to report every 60 days to Congress.

Treasury would have to report to Congress 60 days after it begins to exercise its new authority and every 30 days thereafter. Reports would include an overview of actions taken by the department, the actual obligation and expenditure of the funds provided for administrative expenses and a detailed financial statement. After Treasury buys $50 billion of troubled assets, it would have to provide another report describing all of the transactions made during the reporting period, the pricing mechanism for the transactions, and justifications for the price paid for and the other financial terms associated with transactions.

Treasury would review the current state of the financial markets and the regulatory system and submit a report on its findings to Congress.

INSPECTOR GENERAL

An inspector general's office would be established to conduct, supervise and coordinate audits and investigations of the program. The inspector general—nominated by the president and confirmed by the Senate—would submit a quarterly report to Congress summarizing its activities and the activities of the department under the bill, which would provide $50 million for the office.

[From Investor's Business Daily, Oct. 3, 2008]

[GOVERNMENT IS TOO BIG NOT TO FAIL

(By Ernest S. Christian and Gary A. Robbins)

After years of faking it, the federal government has finally hit bottom or, depending on how you look at it, ascended to its level of maximum destructive incompetence.

So here we sit in the autumn of '08, almost 79 years to the day since the market crash of 1929, with the smell of panic again in the air. An alarmed president and Congress are flailing away, desperately trying to fix a financial crisis originally caused and made worse by government meddling. And with the election coming, the increasingly incongruous Barack Obama looms in the foreground.

As if Washington were not already doing too many things, almost all badly, and in the process doing far more harm than good, Mr. Obama wants to give government a vast array of additional assignments that it is not competent to handle and that taxpayers cannot afford.

FEDERAL MEDDLING

In the current instance of the bailout, even if Washington does finally find some way of re-lubricating the credit markets that its mistakes almost stopped, the systemic problem of inept governmental interference in all aspects of the economy will remain—and indeed will be magnified by the rescue plan itself. The more crisis Washington causes and the more ''emergency'' powers it assumes, the bigger and more tangled are the webs it spins.

After Congress spends the next year or so ''fixing'' the problems in the financial industry—and casting blame on everyone but itself—Washington likely will have all capital markets and credit transactions under its thumb. It would then be able to specify throughout the economy who gets financing, what for, when and how much.

Just imagine an Obama-Pelosi-Reid administration (OPRA) allocating credit and investment among companies according to how green they are, who their shareholders are and whether some federal oracle thinks they are just and fair. Never mind quality and efficiency or ability to repay. Similar ''let's pretend'' standards for allocating credit are exactly what led to the home mortgage debacle in the first place.

With other made-in-Washington crises already on track to occur—think energy, entitlements, debt and the dollar—soon every aspect of American life may be under strict federal supervision, with a trajectory pointed downward.

The more government interferes in private matters, the more the economy and society as a whole take on the debilitating characteristics of government. Costs go up, efficiency and quality go down, output falls, corruption and waste increase.

Washington is already increasing its participation in the health care industry. That is the reason costs are so high. Inevitably, it will take complete control and, when it does, quality will plummet.

Government has been messing about in the housing industry for decades. Obviously, it has already made a hash of it, but the worst is probably yet to come. Washington's energy policy has long been to restrict supply and raise prices. Now the government also has a plan to bring all energy consumers under its supervision and control. It is called cap and trade.

Because of destructive federal regulations and taxes on U.S. plant and equipment as well as on exports, America no longer has an economy that primarily makes and sells things. By default, manufacturing is being displaced by a ''knowledge'' industry—and most Yankee ingenuity is devoted to creating innovative financing techniques such as derivatives and securitized subprime mortgages. Like government, work consists of shuffling paper (electronically, of course).

OUR WAY OF LIFE

Through its power over education and communications, Washington already influences the creation and dissemination of knowledge. Once it takes over the financial industry, nothing will be left standing in the way of the federal government's dominance. States and localities are mere administrative units and dispersing agents for Washington. Government has won its war against religion, sidelining churches.

In partnership with affiliated labor unions and a few public-private corporations much bigger and worse than Fannie or Freddie, Washington will more than ever be able to participate in all aspects of the economy in a manner that far more resembles the corporatist (or fascist) regimes of Europe in the early 1930s than American capitalism.

American capitalism is not just an economic theory. It is a way of life where rewards are based on achievement, not identify or class, and is therefore inextricably bound up with individual freedom and American exceptionalism.

The job of the next president and Congress, if it can possibly rise to the occasion, is first stop the destructive advance of government, then reverse it.

APPOINTMENT OF CHIEF HUMAN CAPITAL OFFICER

SPEECH OF

HON. BENNIE G. THOMPSON

OF MISSISSIPPI

IN THE HOUSE OF REPRESENTATIVES

Saturday, September 27, 2008

Mr. THOMPSON of Mississippi. Mr. Speaker, I rise in support of S. 2816, a bill that will alter how the Chief Human Capital Officer is appointed at the Department of Homeland Security.

This bill will give the Secretary of Homeland Security authority similar to other Federal agencies where a determination is made to place a careerist or a political appointee in the Chief Human Capital Officer position. This authority is particularly important as DHS makes its first transition to a new administration. Undoubtedly, there will be numerous staffing challenges ahead and the DHS Secretary must have a Chief Human Capital Officer to depend on to meet the Department's goals.

The job of the Chief Human Capital Officer requires unique qualifications. Not only must this individual develop and maintain a cadre of national security personnel, but he or she must also ensure integration throughout the new Department and its many components.

The men and women of the Department are some of the hardest working, most selfless individuals in the Federal workforce. Their mission contains little room for error. This is why it is so important that the Department provide a positive workplace that puts employees first. Over the past few years this has not always been the case and low employee morale has plagued the Department and limited its effectiveness.

The 2006 Federal Human Capital Survey conducted by the Office of Personnel Management found that DHS was rated "dead last" in job satisfaction among its peers and received very low marks on leadership and management capabilities. And in the recent DHS 2007 Employee Survey, employees cited their dissatisfaction with the Department's pay, performance and promotion practices. Moreover, there have been numerous documented incidents regarding mismanagement within some of the major DHS components. These factors contribute to a fractured workforce and low morale.

These are problems that must be addressed by the next Chief Human Capital Officer. Addressing employee concerns must be his or her first priority.

One of the major sources of low morale is the MAX–HR system, a so-called "pay-for-performance" system. MAX–HR and its proposed "follow-on system" have been repeatedly rejected by my Committee in legislation and, many Members of Congress, for the past two years. The damage that DHS's relentless pursuit of such a system has done to morale is immeasurable.

The next Chief Human Capital Officer has the chance to make some great strides and improvements at the Department. He or she must work to address the employee concerns and dissatisfaction with a commitment to providing proper training, career development and the tools necessary for its employees to do their jobs. Also at the top of the Chief Human Capital Officer's priority list should be recruiting the best and brightest for DHS, including individuals with diverse backgrounds and a patriotic spirit to fill its ranks.

Given the extensive investment we have made in developing TSA and its workforce, I would be remiss if I did not acknowledge that the TSA workforce does not have the same rights and protections that are afforded to their colleagues at DHS. As the eyes and ears in our airports, TSA workers need to have whistleblower protections and collective bargaining rights to be able to report security concerns without fear of losing their jobs. Moreover, granting basic employment rights is critical to recruiting our Transportation Security workforce. We know firsthand what low morale can do to the health, recruitment, and retention of the DHS workforce.

It is clear from the Committee's record of work that more can be done to support human capital efforts at the Department. And I am pleased to say that this bill is one of those needed measures of support. I look forward to working with my colleagues and the Department to continue to build a strong workforce at DHS. And I also take this opportunity to commend the men and women of the Department for their tireless work and dedication to the mission.

HONORING MAUREEN GAVIN FOR THE 2007–08 OUTSTANDING TEACHING OF THE HUMANITIES AWARD

HON. KENNY MARCHANT

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Friday, October 3, 2008

Mr. MARCHANT. Madam Speaker, I rise today to pay tribute to Maureen Gavin of Southlake, Texas, who was awarded the 2007–08 Outstanding Teaching of the Humanities Award on behalf of Humanities Texas. This award honors K–12 humanities teachers in the state of Texas who make exemplary contributions in teaching, curriculum development and extracurricular programming.

Mrs. Gavin, a former sixth grade English teacher at Eubanks Intermediate School in Southlake, currently works with Morningside Elementary School in Fort Worth.

In the words of Mrs. Gavin, "All good thinking begins with good questioning, and as a humanities teacher it is my responsibility to provide provocative questions that allow my students to dig deep within themselves as they learn about our world, past and present, and how they fit into it". In this spirit, Mrs. Gavin brings to the classroom a passion for literature, language, and the ever-growing continuum of knowledge.