Statement of Senator Tim Johnson
Senate Committee on Banking, Housing and Urban Affairs
"The Administration's Proposal to Modernize the Financial Regulatory System."
June 18, 2009

Thank you Mr. Chairman for holding today's hearing with Secretary Geithner to discuss the Administration's new proposal to restructure our nation's financial services regulatory structure.

As we all know, federal regulators were forced to make unpopular decisions last year based on the belief that weakened financial firms were so big and so interconnected that their failure would devastate the world economy. Our economy began to nosedive as we faced the worst recession since the Great Depression.

When the TARP bill came through Congress last year, I felt it did not go far enough to improve regulation. Instead, we sent companies the message that if they are bad actors, the government will step in and buy the assets that are dragging their companies down.

Many of these troubled firms were deemed "too big to fail," and thus we bailed them out with tens of billions of dollars in taxpayer funds.

Yesterday, President Obama and his economic team announced some of the biggest regulatory changes to our financial system since the 1930s.

Overall, this is a very complicated task to reform and modernize the financial services regulatory structure. All reforms Congress considers must help prevent a repeat of the events of the past nine months and must shift the burden away from the American taxpayer and to the financial institutions that were reckless.

While the devil is in the details, it appears that the President's plan will give regulators the teeth they need to do the job, but also the flexibility to make sure our economy grows.

Over the coming months, the Banking Committee will work closely with the Administration to develop legislation that should make the needed changes to our regulatory structure and clear the way for a stronger, brighter and more stable economic future. I look forward to your testimony, Secretary Geithner, as we learn more details about the Administration's proposal.