

Bernanke: Lessons learned from AIG mess

by UPI

WASHINGTON -- U.S. Federal Reserve Chairman Ben Bernanke says two lessons have come out of the AIG mess: the need for regulatory reform and strong supervision of non-banks.

Bernanke and U.S. Treasury Secretary Tim Geithner appeared Tuesday before the House of Representatives Financial Services Committee to explain the government's intervention to avert the insurance giant's collapse.

Bernanke said if federal regulators would have had the tools in September for handling non-bank financial firms, "they could have put AIG (American International Group) into receivership or conservatorship" and let the situation "unwind slowly."

"That outcome would have been far preferable to the situation we find ourselves in now," Bernanke said, noting that much of the problem at AIG built up "out of the sight of its functional regulators."

Geithner said the federal government didn't act on the AIG situation just because AIG, foreign banks or foreign governments asked for help. The government acted because "in our judgment for the American people" AIG's failure "would have been catastrophic."

Geithner and Bernanke were unable to appear before a subcommittee last week during a hearing involving AIG Chief Executive Officer Edward Liddy.

During last week's subcommittee hearing, several committee members expressed disappointment at not being able to ask Geithner and Bernanke about bailout fund oversight.

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