

House Financial Services Committee

Subcommittee on Domestic and International Monetary Policy

October 17, 2007

Mr. Chairman, as you know, I have consistently favored a policy of non-intervention with regard both to foreign affairs and to economic policy. While there may well be problems with the Russian economy in terms of failed privatization, government expropriation of assets, etc., there is no reason that these issues should concern the United States government.

Foreign nations could easily criticize the United States for its weak dollar policy which favors our exporting industries while harming the exporting industries of our trading partners; for our eminent domain policies which make a mockery of property rights; and for Sarbanes-Oxley, which unfairly burdens companies operating in this country and causes companies to move to foreign capital markets. We would understandably resent this intrusion into our affairs.

While I empathize with the investors who have lost money through the Yukos incident, the fact remains that markets are fraught with risk. Our loose monetary policy and stimulation of credit have led to expectations of permanent positive economic growth. The technology bubble and the housing bubble have caused many to believe that markets can only go up. When bubbles burst, when stocks decline, something must have gone awry, and the government is called upon to right the wrong.

While many innocent investors are lured into the stock market as a result of our flawed expansionary government policies leading to visions of ever-increasing wealth, and may not be entirely at fault for their losses, the principle of *caveat emptor* seems to have been forgotten. In the case of a burst asset bubble or a stock's decline in price, some investors will lose out. It

might be painful, it may have come about through injustice and government meddling, but government wrongdoing cannot be undone by more government wrongdoing.

Neither a bailout, as in the case of the housing bubble, nor attempted government pressure on a foreign government, as in the case of Yukos, are appropriate reactions to the losses of investors. I wish the investors affected in the Yukos incident well, but urge my colleagues to resist the temptation to intervene in Russia's internal affairs.