

STATEMENT OF CONGRESSMAN MICHAEL BURGESS

JOINT ECONOMIC COMMITTEE

APRIL 21, 2009

*TOO BIG TO FAIL*

I am pleased to join in welcoming the members of the panel testifying before us this morning. We are all very concerned about the financial crisis and its impact on the economy.

The roots of the financial crisis are to be found in government policies that encouraged risky mortgage lending practices as well as a breakdown of lending standards in the private sector. Many banks and other financial institutions made terrible investment decisions that resulted in huge losses that now have to be written down. While some seem to think the financial situation is improving, the fact remains that loan defaults continue to trend upward, and probably will for some time to come.

The Obama administration has responded with a plan announced on February 10<sup>th</sup> based on public and private partnerships to purchase the toxic assets of the banks. Many economists have raised concerns about whether this plan is adequate given the magnitude of the problems in the banking sector. Estimates of the amount of toxic assets in the U.S. banking system now range up to \$2 trillion.

The Administration plan relies heavily on providing generous subsidies to private sector participants who would enjoy half of any partnership profits. However, if the partnership fails, the taxpayers would shoulder over 90 percent of the losses. The prospect of trillions of dollars of taxpayer money at risk in this plan is very troubling.

I am even more disturbed at the lack of transparency and accountability in the Administration plan. The Treasury seems to have designed the plan specifically to evade the Congressional appropriations process. Trillions of taxpayers' dollars are at risk, but Congressional approval is not needed for the plan to proceed. This is a violation of the democratic process.

Perhaps Dr. Stiglitz said it best when he characterized the recent Treasury proposal as robbery of the taxpayers. There is even speculation that firms receiving bailouts could also directly or indirectly participate and enjoy the rich subsidies offered in the Treasury plan. I remain concerned that the costs of this plan will be exorbitant, and that it will not work effectively to solve the financial crisis.

Putting the future impact of the Department of Treasury's plan aside for a moment, I want to take this opportunity to announce a plan to address the past. Today I am introducing a bill to create a Congressional Commission on Financial Accountability and

Preparedness. I have put together this bill, along with the support of Ranking Member Brady, to address something that my constituents bring to my attention all the time – the fact that we don't really know what and who caused this financial breakdown, and also the fact that no one has been held publicly accountable for the path that got us to this point today. People in Texas want answers and they want to see that their government is willing to seek the truth without politics getting in the way, especially before we put a new regulator or regulations in place. This temporary and bipartisan commission can accomplish that goal. I hope the other members of this Committee will join me and Ranking Member Brady and support this legislation.

Thank you Madam Chairwoman, and with that I yield back.