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Opening Statement
Rep. Elijah E. Cummings, Ranking Member

Hearing on "Europe's Sovereign Debt Crisis: Causes, Consequences for the United States and Lessons Learned"

March 21, 2012

Mr. Chairman, thank you for calling today's hearing on the financial crisis in Europe and the lessons that can be learned here at home.

Since the last hearing we held on this topic in December, European officials have taken decisive action to reestablish financial stability in the eurozone. And American officials have helped diplomatically, through consultation, through our participation in the IMF, and through central bank support. No one is declaring "mission accomplished," but the signs of improvement are impossible to miss.

Unfortunately, it appears that some in the majority see the eurocrisis as justification for imposing extreme austerity measures here at home. Yesterday, the House Republicans released a budget proposal to cut $5.3 trillion over the next ten years, end Medicare as we know it and shift costs onto seniors, and give further tax breaks to corporations.

Today, the majority will seek to draw parallels between Greece's financial troubles and the United States. At our last hearing, a majority witness called Greece a "wake-up call," arguing that the U.S. should shred our nation's safety net and cut taxes to avoid Greece's fate.

Don't believe it. While strong medicine is needed, it is the banks that caused the financial crisis who should be taking it.

What we have learned from Greece is that austerity measures imposed during an economic downturn have very real negative consequences for working people, while they leave economic elites unscathed. Nevertheless, some Republicans believe we should implement similar extreme austerity measures here at home in the form of deep, across-the-board, spending cuts.

Secretary Geithner, on past occasions, you have warned against such actions. For example, you said this: "We need to stay intensely focused on strengthening [our] economy in the short-term. ... We can't cut our way to growth. Severe austerity now would be very damaging."

But House Republicans have ignored this key point.

Different problems require different solutions. In the case of the United States, economists largely agree that the housing bubble and risky investment products created by Wall Street were the chief causes of our economic collapse. As Mark Zandi, Chief Economist of Moody's Analytics stated, "[h]ousing is ground zero for the economy's problem, high unemployment and lost jobs."

Although the recent $25 billion settlement with five of these banks is commendable, the sad truth is that millions of borrowers will not receive the relief they so desperately need because one important entity refuses to cooperate. The Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac's regulator, will not allow them to participate in the settlement, reportedly because much of the relief will be in the form of principal reductions.

If we want to ensure that our economy at home is strong enough to weather the Euro crisis or turbulence from slowdowns in other foreign economies, we must end the housing crisis here at home. We must have principal reduction as one tool for borrowers who are underwater and who owe more than their homes are worth.

FHFA's own data shows that principal reductions would save taxpayers billions of dollars. But Edward DeMarco, the agency's Acting Director, maintains what appears to be an ideological opposition.

It is my hope that, as we examine the Euro crisis, we keep in mind what should be our ultimate goal: rebuilding and protecting a strong economy for the millions of middle-class American families here in the United States.

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