

Congress of the United States
CONGRESSIONAL OVERSIGHT PANEL

Opening Statement of Elizabeth Warren

Taking Stock: Independent Views on TARP's Effectiveness

November 19, 2009

Good morning and welcome to this hearing of the Congressional Oversight Panel. My name is Elizabeth Warren and I am the chair of the Panel. This is the 14th public hearing of the Panel. It will not be the last.

Last fall, in the midst of a huge crisis, then-Treasury Secretary Henry Paulson appealed to Congress for an emergency authorization of \$700 billion to restore confidence in the system and to rescue the economy from the wreckage of what he said would be a catastrophic collapse of the financial sector. Today, more than a year later, many conclude that the Troubled Asset Relief Program succeeded in preventing the collapse of the financial sector, but the success of TARP in achieving its broader, long-term goals remains an open question.

Uncertainty persists about the stability of our financial institutions and whether they can survive without the benefit of government assistance. The home foreclosure crisis continues largely unabated, delaying a real recovery in the housing market and the larger economy.

Unemployment is now at 10.2 percent. More than 100,000 families are filing for bankruptcy each month. TARP has failed to check the kind of excessive risk-taking that brought on the crisis, while it has injected an unprecedented level of pricing distortions and moral hazard into the market place. And the rules of the financial road—the inadequate and wrong-headed regulations and laws that headed us straight into this crisis—remain unchanged.

In the midst of these uncertainties, Secretary Geithner must decide whether or not to exercise his authority to extend TARP beyond its scheduled expiration at the end of this year. The Panel's December oversight report will contribute to a public debate about this decision by assessing the overall performance of the program in its first 14 months and by highlighting some of the critical policy choices that have not yet been resolved.

Today, we are fortunate to have a very distinguished panel of five leading experts in the fields of finance and economics on hand to discuss what TARP has achieved and where it may have fallen short, as well as the state of the financial sector and the progress of the economic recovery.

We are honored to be joined by:

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- Dean Baker, the co-director of the Center for Economic and Policy Research;
 - Charles Calomiris, the Henry Kaufman Professor of Financial Institutions at Columbia Business School and a member of the American Enterprise Institute's Shadow Financial Regulatory Commission and co-director of the American Enterprise Institute's Project on Financial Deregulation;
 - Simon Johnson, the Ronald A. Kurtz Professor of Entrepreneurship at the MIT Sloan School of Management and a Senior Fellow at the Peterson Institute for International Economics;
 - Alex Pollock, a resident fellow at the American Enterprise Institute and a former president and CEO of the Federal Home Loan Bank of Chicago;
- and
- Mark Zandi, a cofounder and chief economist at Moody's Economy.com.

Thank you all for joining us today. Before we proceed with your testimony, allow me to first offer my colleague on the Panel an opportunity to make opening remarks at this time.