Opening Statement of Damon A. Silvers,
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Field Hearing
Las Vegas, NV
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Good morning. I am very pleased to be here in Nevada for this first hearing of the Congressional Oversight Panel. I want to express my appreciation to Senator Harry Reid and Speaker Nancy Pelosi for the opportunity to serve on the Panel, and to the leadership and their staff for all their generous help in organizing this hearing, less than three weeks after the Panel's first meeting.

I also want to express my appreciation to our chair, Professor Elizabeth Warren, for her leadership in getting our Panel off to such a fast start. Professor Warren has worked tirelessly over the last three weeks, giving voice to the concerns of the American people. It is also an honor to serve on the Panel with two distinguished fellow Panel members, Congressman Jeb Hensarling and New York State Banking Superintendent Richard Neiman. In the three weeks since the Panel's first meeting, we have had the chance to meet with many dedicated public servants at every level in Treasury, the GAO and other government agencies who are working as hard as they can to try and stabilize our economy. Whatever the Panel's concerns may be regarding policy, strategy or execution, they should not be read to in any way diminish the respect we have for the public service of so many people working to serve our country in this economic crisis.

Since early October, the Treasury Department has provided banks, private companies, with $165 billion in public money, taxpayer money, in exchange for preferred stock, plus additional $60 billion to Citigroup and AIG, and commitments to allocate more than $100 billion more to banks and to buy asset backed securities—in total more than $1,000 for every American. Every American is concerned about the specifics of these actions taken under the Emergency Economic Stabilization Act of 2008—actions which every person I know who is not actually involved in the policy process refers to as the financial bailout.

When Congress created this Panel, Congress asked that we report every thirty days on our oversight work. Last week, the Panel issued our first report. The report was a set of ten simple questions, as Elizabeth has described, together with some explanations as to why we felt it was necessary to ask each question.

These basic questions cannot be answered through a dialogue among Washington insiders. They must be the subject of a national conversation, a conversation that starts off with what is actually happening in our communities—can business people borrow money to run their firms, are foreclosures getting worse or better, are employers hiring or laying off workers, are local financial institutions being fairly treated by our federal government?

That's why I am so pleased to be here in Nevada—because we need to know how the Wall Street bailout looks from here. Has it helped—is there less fear here in Nevada than there was in September and October? Is the bailout being fairly managed? Is the Treasury Department's plan thoughtful in relation to what has gone wrong in the economy here? Do Nevadans, whose tax dollars have been used to help fund the bailout, feel that you have enough information about how your money is being used? Do you feel there has been accountability for the financial sector?

Some involved in managing the bailout have said that the measure of success here is not in what has happened, but in what has not happened—that we have averted a complete halt to all financial activity. When Treasury

Secretary Hank Paulsen asked Congress to act, and then again when he chose together with British Prime Minister Gordon Brown to put money directly into the banks, he certainly had reason to believe we faced the risk of systemic breakdown. However, it is difficult to assess this sort of argument. It is certainly true that while our economy is in grave trouble, it could always be worse, and it can be hard to know whether by our actions we are actually improving matters. So our Panel needs to look deeply in the coming weeks into the extent to which we have stabilized our financial markets.

But the financial markets do not exist to serve themselves—markets exist to move resources to productive activity so that all of us are better off. If markets are not achieving that end—if the innovative entrepreneur, the builder, the business person large and small cannot obtain financing for viable businesses, then we have not achieved our purposes in seeking to stabilize the financial markets. If a downward spiral in housing prices driven by foreclosures, falling incomes and rising joblessness keeps our major financial institutions on the brink of collapse, we have not repaired the real economy, and we have not really even stabilized our financial markets.

As we make these inquiries, we need to remember that our economic problems are not really about the financial markets. This recession and its associated financial upheavals are driven by structural problems in our economy—in particular a long futile effort to maintain high consumer spending while in reality wages stagnate and our productive capacity shrinks.

Something some of us in the East don't understand about Nevada is that for decades there have been good jobs here. The hotels of Las Vegas employ tens of thousands of workers who earn a living wage, have health insurance and a pension doing jobs that in other parts of the country often only pay poverty wages. Labor and management in Las Vegas built a service sector middle class in the '80's and '90's which is now under pressure from a national economic model that is not working. And the truth is, if America is in economic trouble, if the American middle class is under pressure, the middle class in Las Vegas will feel the pain. In a very real way our economic fate as Americans is woven together.

But our national strategy in recent years seems to have been to look to the financial sector, to borrowing, to leverage, to generate wealth. That strategy has failed, and the vain pursuit of it has made our economic situation far worse than it might have been. And now we run the risk as a nation of making the mistake of thinking that if we only cut incomes, we can get through this crisis—that the best employers are those that pay the least, the best bankers those that lend the least. The truth is that these deflationary strategies will only make things worse—much worse.

So the questions we as a nation should ask about the $225 billion that has been handed out are—first are we really stabilizing the financial system and improving our economy, and second, are we laying the foundation for a financial system that can really work to move capital toward productive uses and appropriately manage risk.

In the pursuit of answers to these questions, I hope our Panel will visit every corner of our country. In the weeks and months to come, we need to hear what the public-- businesspeople and consumers, workers and homeowners, have to say about how the public's money is being used to stabilize our economy. Thank you.