

RYAN PREPARED OPENING STATEMENT
CBO/ POTENTIAL BUDGET IMPACT OF BAILOUT 9/23/2008

- *Thank Chairman Spratt. Welcome Orszag.*
- By nearly all accounts, the turmoil in our financial markets last week was unprecedented in recent history. Clearly – and I think *rightly* – Americans are genuinely worried, as is everyone here.
- We know that our markets are in serious trouble. But we also need to understand that this isn't just a problem for Wall Street: it's a problem with the potential to harm our entire economy – and everyone and everything from small business, to workers, to seniors' retirement accounts.
- I think there will be endless debate over the next few months – maybe years – as to how we got to this point. And there were certainly many contributing factors. But clearly, two of biggest were 1) a monetary policy that kept interest rates artificially low, and encouraged imprudent – often outright reckless – borrowing and lending; and 2) Fannie and Freddie's buildup of investment portfolios to boost profits – all at the risk, and now likely *expense*, of taxpayers.
- For the past few months, Congress and the Administration has scrambled to address each of these episodes -- dealing with whichever crisis has come to a head at the moment, but not really doing anything to address the underlying problem -- and thus prevent the next from popping up.
- This week, of course, Congress is working with the Treasury to deal with the market crisis. The Administration has proposed an ambitious, *unprecedented* plan to address this problem, and to stem some of the fallout to the larger economy.
- The plan would provide the Treasury the authority to purchase up to \$700 *billion* in private mortgage-related securities. And yes, I have genuine concerns about giving Treasury – or *anyone* – that kind of authority.

- Finally – and of primary concern to this Committee – what is all of this going to mean to the budget.
- Dr. Orszag, I know that – at this point -- the most accurate answer to this question is probably, “we just don’t know.” But that said, I very much appreciate you doing your best today, under the circumstances, to give this Committee your best assessment of the potential impact of the bailout legislation working its way through Congress this week.