

Friday, December 05, 2008  
House Committee on Financial Services  
Opening Statement of Chairman Barney Frank  
As Delivered

This hearing is especially important this morning. A failure to some extent of three of our major domestic manufacturing entities would be a very serious problem in any case. In the midst of the worst economic situation since the Great Depression it would be an unmitigated disaster. The Labor Department reported this morning that during the month of November there was an increase in unemployment that was quite substantial -- 533,000 jobs lost. On a year to year basis from December of last year to December this year we are down 1.9 million jobs. We are on track now to lose well over 2 million jobs obviously, in that period. We will lose close to 2 million jobs in this year alone. Given that any effort to denigrate the negative impact of substantial job loss and economic cutbacks in this industry has to fail. We operated as we said in this very difficult context.

It is important to note here that, and again, I guess the issue is should we just be very hardnosed and say 'let 'em go bankrupt.' There is a consensus that substantial reorganization is needed. There is a consensus that a change in the product mix is needed. There is a consensus, and I congratulate Mr. Gettelfinger and the union, that economic times being what they are everything has to be looked at including further concessions which the union had already made and there were some very important ones that were put out there. All that can be done by rational people in a sensible atmosphere.

What bankruptcy is the ability to walk away from debt. The fact is that while we have this serious job loss, we continue to have a serious credit crisis in this country. We've got a double whammy. And a permission to these three large entities to stop paying their debts -- that's called bankruptcy -- would greatly exacerbate the credit crisis. I was given by my colleague from Michigan, Mr. Levin, who has been along with the other members from Michigan, both Democratic and Republican, obviously, very much involved in this as well as some members from Ohio, very important numbers of what the impact would be if we were to have these entities stop paying their debts. Now we have had a pattern of intervention that this Administration has led of trying to prevent people from not paying their debts not because of concern for them but because of the impact it would have on other people--on the creditors. We have not on the whole bailed out debtors. We have gone to the rescue of creditors and in every one of those cases there have been restrictions imposed on the debtors. That will clearly have to be done here.

And everyone should understand that the companies have made some proposals, I hope we will do something because I think for us to do nothing to allow bankruptcies and failures in one, two or three of these companies in the midst of the worst credit crisis and the worst unemployment situation that we have had in 70 years would be a disaster. One of the things that I do want to note that people said 'well, you know a lot of mistakes were made.' The companies made mistakes. Congress made some mistakes. We didn't increase CAFÉ standards, etcetera. Yes, a lot of mistakes were made. The relevance of

that is partly this – it would be nice if we could line up all of the people who made the mistakes and punish them in a way that would have no impact on the innocent. I think all of us remember in school the teachers we hated most were the teachers who said ‘if one person misbehaves the whole class will get extra homework.’ I don’t want to give the whole country homework because automobile executives in the past misbehaved. We have to separate out unhappiness and anger over things not done in the past from the consequences now and that is what we are focused on. Yes, a lot of mistakes were made -- too passive. The auto companies made mistakes. Unions made mistakes. Politicians made mistakes. The media hasn’t always distinguished itself -- I know you’re not supposed to say that. The consequences of all of those mistakes is that the country is to some extent held hostage. We need to free the country and that is the focus. Yes, there have to be changes that are made and sacrifices made but the focal point is not the punish those who made the mistakes. It is to prevent further damage to the country and it is in that context that this committee will proceed. The gentleman from Alabama is now recognized.