



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

**Congressman Jim Saxton**  
**Ranking Republican Member**

---

---

## **PRESS RELEASE**

---

---

For Immediate Release  
May 22, 2008

## **HOUSING BUBBLE AND FINANCIAL TURMOIL EXAMINED IN NEW STUDY**

Press Release #110-43  
Contact: Christopher Frenze  
Republican Staff Director  
(202) 225-3923

**WASHINGTON, D.C.** -- A combination of government policy errors and private sector miscalculations and mistakes underlie the inflation and deflation of the housing bubble, according to a new staff study released today by Congressman Jim Saxton, ranking Republican member of the Joint Economic Committee (JEC). The study, *The U.S. Housing Bubble and the Global Financial Crisis: Housing and Housing-Related Finance*, examines how a combination of government policies fostered a credit expansion that fueled a huge bubble in the U.S. housing market, and how the popping of this bubble destabilized the international financial system.

“The bursting of the housing bubble has been a major shock to global financial markets and to the U.S. economy,” Saxton said. “It is important for policymakers to understand the factors contributing to the bubble, especially those rooted in government policies. While homeownership is an affordable goal for many households, the evidence indicates that a combination of government policies pushed the rate of homeownership beyond sustainable levels. As the study notes, the associated boom in housing included all the classic signs of a speculative bubble, which now has burst with very damaging effects.

“The collapse of the housing bubble has triggered massive losses in mortgage-backed securities amounting to hundreds of billions of dollars, and still climbing. It has also exposed excessive leverage and poor underwriting standards in many financial institutions. A number of large financial institutions have been forced to make massive write-downs, reducing their ability to lend. The fallout from the bursting housing bubble has undermined the growth of the U.S. economy in recent quarters and will probably continue for at least another quarter,” Saxton concluded.

###