

(October 3, 2008) NEW \$700 BILLION WALL STREET BAILOUT STILL FAILS TO PROTECT AMERICAN TAXPAYERS

Today Congressman Lipinski issued the following statement concerning his opposition to the Senate Amendments to H.R. 1424, the Emergency Economic Stabilization Act of 2008:

"Today, I am voting against the latest Wall Street bailout bill, a bill that has grown in size and scope to \$850 billion. From 3 pages to 110 pages to over 450 pages of legislation, this bill proves the old adage still holds true. Bigger isn't necessarily better.

"I cast this vote regrettably because I believe that we should be doing more to stabilize the credit markets so that small businesses and all Americans are not hurt by tightening credit. But it is more important to do the right thing than just doing something, especially when that something will cost the average family of four more than \$11,000 and there are many economists who do not believe that it will work. More than 400 economists, including Nobel Prize winners, have said that this is not the right action to take.

"Unfortunately, the Senate took a bill with a number of problems and instead of fixing the problems, they simply added more problems to the bill. While some of these add-ons are good policy that I support, it was fiscally irresponsible for the Senate to add them to this bailout bill. They're not paid for, and they will bust the bank.

"I voted for H.R. 7060, the Renewable Energy and Job Creation Tax Act. It's fully paid for, and it's budget neutral. It was a stand-alone bill to extend the tax incentives for alternative energy, expand eligibility for Child Tax Credit so more working families can benefit, and extend deductions for education expenses to help more families afford college. I also voted for H.R. 7005, the Alternative Minimum Tax Relief Act. And I am a cosponsor of legislation to increase FDIC insurance up to \$300,000 for bank accounts.

"But the main issue I have is that the Senate refused to plug any of the loopholes in the bill - loopholes that will put Wall Street and even foreign banks before the interests of American taxpayers. Many supporters of this bill believe that these loopholes will not be exploited, but I do not believe we can take this chance with \$700 billion.

"First, why are we writing a \$700 billion blank check to the financial industry with no real accountability, no real oversight, and no real reform? The President and Secretary of the Treasury will have almost unfettered access to all \$700 billion. The first \$350 billion is guaranteed, and the only way for Congress to stop the spending of the next \$350 billion is to have both chambers pass a resolution to stop the transfer within 15 days of the president asking for the money - and then the president can veto this resolution! When I taught American Government 101, on the first day of class we talked about how the Founding Fathers created a system of government with checks and balances to rein in the potential abuse of power. With this bill, there is little chance for Congress to check the president and there is certainly no balance. The biggest check is the \$700 billion check for the people who got us into this mess.

"Second, why are we throwing more bad debt around the necks of American taxpayers? There is a provision in the bill that is supposed to help the American taxpayer recover any of the \$700 billion that is not repaid to the Treasury. However, all this provision says is that after five years the president will have to submit a "proposal" to Congress to recoup from the financial industry any of the money lost. This places the responsibility in the hands of the president and the Congress elected in 2012, men and women who may feel no responsibility for what we do today. And if today we are giving these companies \$700 billion, what is the chance that Congress will be taxing these powerful interests 5 years from now?

"Third, why should Americans bailout the world? There is absolutely nothing in this bill to prevent the \$700 billion from going to foreign banks. The American taxpayer could be bailing out the Bank of China.

"Fourth, why aren't multimillionaire Wall Street CEOs being held accountable? Despite some provisions in this bill to cap executive pay for companies that the American taxpayer bails out, there are too many loopholes that will allow tax dollars to enrich those millionaire executives that drove these institutions into the ground.

"Fifth, why isn't there any real reform of the system that led to the current crisis? The system is broke. The regulations are faulty. The loopholes are many. What's to prevent this from happening again? We need to completely revamp and overhaul the regulatory system that governs the financial industry. Without real reform, we will only be throwing good money after bad.

"Sixth, why isn't there real oversight with real teeth? This bill creates panels to oversee the spending of the \$700 billion but none of these overseers have any power to stop any wrongdoing or waste of taxpayer dollars. They only have the power to meet, talk, and issue reports. Oversight without real teeth to enforce wrongdoing is only watching - it's not real oversight.

"Seventh, why do American taxpayers have to bear all the risk with potentially little reward? This bill says American taxpayers will have the opportunity to buy into companies that their tax dollars go to. This is a good idea. If the institutions we bail out turn a profit, the American people should share in that. Unfortunately, the Secretary of the Treasury is given the option to NOT exercise this buy-in, and Secretary Paulson has indicated that he will not do so.

"On top of all these flaws in the bill, I believe that this plan is based on what may be a faulty framework proposed by President Bush and Treasury Secretary Paulson. It is a framework that has been criticized by many prominent economists and business leaders, such as John Allison, the Chairman and CEO of BB&T, one of the largest commercial banks in the country. Mr. Allison said it is 'inappropriate that the debate is largely being shaped by the financial institutions who made very poor decisions'.

Economists have also pointed out that investors who took the risk to earn profits should be on the hook to bear the losses. This bill is no different than the previous bill. It bails out those who created the mess in the first place. They are not held responsible. They are not held liable. Goldman Sachs and Morgan Stanley helped create the mess, and now they will turn around and be the primary beneficiaries of the bailout.

"I have heard from hundreds and hundreds of constituents. I have read the bills, and I have consulted with experts on the situation. This is a very difficult vote and there is no easy answer. But I do not think that this bill is the right solution to the credit issue. I also believe that there are larger issues for the American people that we must focus on. Today the latest unemployment numbers were issued showing a significant increase in the number of Americans losing their jobs. The House passed an economic stimulus bill last week that would dedicate \$60 billion to help middle America, with more than \$40 billion going to infrastructure repair for roads, schools, and water infrastructure, along with investment in alternative energy - all of which would put middle class Americans to work making needed infrastructure improvements. If we have \$700 billion to hand to the Secretary of the Treasury to give out to the financial industry, the Senate should have been able to at least spend \$60 billion to ease the economic burden on middle America.

"I am hopeful that this bill works, and that this bailout package is the solution to our economic woes and the American taxpayer is not on the hook for \$700 billion. But after careful analysis I do not believe this bill is the answer that Americans need."