

# We need to start making reforms now

Millions of Americans watched helplessly over the past several weeks as Congress took more than a trillion dollars from them in an effort to bail out Wall Street and stabilize the markets.

As they watch the Dow drop and hear excuses about why the bailout's not yet working, these same Americans no longer just feel helpless, they feel angry, disappointed and frustrated.

I voted against that bailout — not once, but twice — and I not only understand their sense of frustration but feel it myself.

Congress failed to protect the taxpayers when it voted to buy up Wall Street's toxic debts. It sided with executives who made risky business transactions, not with Main Street that has played it safe and lived by the rules.

But this is exactly what happens when you hire arsonists to put out a fire. Many of the Congressmen who pressed for these bailouts were the same people who lit and nursed the spark that erupted into the mortgage meltdown.

For years, members of Congress and the executive branch bullied creditors into making risky subprime loans — part of an effort to expand homeownership.

A worthy goal, to say the least; but not necessarily the

right means to achieve it. Banks can only take on so much risky debt.

They needed somewhere to unload their high-risk mortgage assets and turn a quick profit. Enter Fannie Mae and Freddie Mac — the two government sponsored enterprises (GSEs) at the center of the storm.

Fannie Mae and Freddie Mac are sort of government, sort of

private. Government in that their transactions are implicitly guaranteed by the U.S. Taxpayer. Private in that their executives made very private salaries and their lobbying and PAC arms were very well funded, too.

Under the direction of Congressman Barney Frank and Sen. Chris Dodd, the highly influential chairmen of Congress' financial services oversight committees, Fannie and Freddie bought up these subprime mortgages, bundled them into what are called mortgage-backed securities, and sold them to an eager Wall Street.

While many economists, including Alan Greenspan, and members of Congress were warning that Fannie and Freddie were overexpanded and undercapitalized — a surefire recipe for disaster — chairmen Frank and Dodd continued to press

for increased loan limits and increased portfolios for these mortgage giants.

They also fought vigorously against all efforts to increase oversight of these GSEs. It's hard not to notice that Sen. Chris Dodd is the top recipient of Fannie and Freddie's campaign cash.

Before long, the subprime contagion was spread deep throughout the economy. Rising home values masked the depth of the danger as people like Dodd and Frank continued to block reform. Then the housing bubble burst — and the virus was unleashed.

The Bush Administration and the Democrat Congress hoped 700 billion taxpayer dollars could contain the virus, calm the markets and allow business to return to usual.

What they failed to realize — through either willful or blissful ignorance — is that business-as-usual is the source of infection. It doesn't matter how many billions or trillions of dollars they use to bandage it up — there can be no cure until we remedy the ailing policies.

In fact, by enabling business-as-usual these massive bailouts may only set the stage for a larger meltdown in the future.

Many members of Congress, including myself, suggested that reform of Fannie and Freddie could no longer wait. But, the bailout didn't even address the matter.

The bailout merely privatized profits and socialized loss. It separated Wall Street

high-rollers from the negative consequences of their actions. When the risks paid off, they reaped the reward — when they didn't, taxpayers covered the bill.

We need to stare our problems in the face and start reforms now. That means breaking the cycle of corruption between high-risk loans, their pushers in Congress, and their buyers at Fannie and Freddie.

That means updating market rules and suspending the capital gains tax so we can free up the capital that will allow us to replace taxpayer bailouts with voluntary investments. And it means finally holding people to account.

Congress had a chance to pass these reforms and to put our economy back on solid footing. Instead the only thing Congress passed was the buck.

You play by the rules, you live within your means, you make smart investments and not risky gambles, and you accept the consequences of your actions when things don't work out the way you'd hoped.

With high gas prices, rising food costs, tuition hikes, and more, you struggle to pay your mortgage — but you do it.

Given the choice, I'll stand with Minnesota taxpayers every time.

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*Viewpoint*

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