WHAT OTHERS ARE SAYING ABOUT THE PROPOSED FINANCIAL SERVICES "BAIL OUT" PLAN

New York Times.

"Lawmakers have given too little consideration, in public at least to alternatives to the Treasury's plan to buy up the bad assets from various financial firms. Homeowners were also given short shrift with provisions that mainly urged lenders and the Treasury to do more to help them. That's unconscionable. The financial crisis is as much a problem for homeowners as for Wall Street investment bankers. Appeals to lenders' better natures have not worked to bring lasting relief to homeowners. Taxpayer protections are also iffy, such as a requirement that in five years, the President must give Congress a plan for recouping any losses from financial firms. Lawmakers could decide at that point that taxpayers are the only pit bottomless enough to absorb those losses." [Editorial Page, 10/1/08]

Robert Reich, University of California-Berkeley, former Secretary of Labor.

"The Bailout bill is an outrage. It subjects American taxpayers to some risk especially if the housing market doesn't bounce back for many years. The bailout bill isn't really taxpayer supported. It will be funded by additional federal debt issued mostly to foreign governments – especially the Chinese and in the Middle East." [Personal Blog, http://robertreich.blogspot.com/2008/10/bailout-of-all-bailouts-is-bad-idea.html, 10/1/08]

Joseph Stiglitz, Former Chairman of the Clinton Administration Council of Economic Advisers, Winner of the Nobel Prize in Economics.

"The administration is once again holding a gun at our head, saying, "My way or the highway." We have been bamboozled before by this tactic. We should not let it happen to us again...... We need to impose a special financial sector tax to pay for the bailouts conducted so far. We also need to create a reserve fund so that poor taxpayers won't have to be called upon again to finance Wall Street's foolishness. If we design the right bailout, it won't lead to an increase in our long-term debt - we might even make a profit. But if we implement the wrong strategy, there is a serious risk that our national debt - already overburdened from a failed war and eight years of fiscal profligacy - will soar, and future living standards will be compromised. The president seemed to think that his new shell game will arrest the decline in house prices, and we won't be faced holding a lot of bad mortgages. I hope he's right, but I wouldn't count on it: it's not what most housing experts say. The president's economic credentials are hardly stellar. Our national debt has already climbed from $5.7 trillion to over $9 trillion in eight years, and the deficits for 2008 and 2009 - not including the bailouts - are expected to reach new heights. There is no such thing as a free war - and no such thing as a free bailout. The bill will be paid, in one way or another." [The Nation, 9/26/08]

Harvard's Ken Rogoff, former Federal Reserve and IMF Official.

"The prospect of this bailout is taking a manageable problem and making it into a more intense crisis. Credit is frozen primarily because banks want to avoid dealing with other banks that might drive a hard bargain, and instead would rather wait for free money from the government. Without the prospect of that free money, Rogoff suggests that credit would probably begin moving again, if slowly." [Financial Times, 9/25/08]

Consortium of Major Consumer Groups. (ACORN, Center for Responsible Lending, Consumer Action, Consumer Federation of America, Consumers Union, Leadership Conference on Civil Rights, National Association of Consumer Advocates, National Association of Consumer Bankruptcy Attorneys, National Consumer Law Center)

"Basic economics argues for a robust plan to staunch foreclosures and thereby protect the taxpayers' $700 billion investment...Our organizations reaffirm our strong support for chapter 13 judicial modifications of troubled mortgages as part of any final Wall Street rescue plan. This is an effective way of providing relief to homeowners at no cost to taxpayers. It would benefit all homeowners, not just those at risk of foreclosure, as it would decrease the number of foreclosures, stabilize home values, protect communities, and help put the economy back on the path to recovery.....It would decrease the number of foreclosures, stabilize home values, protect communities, and help put the economy back on the path to recovery." [9/26/08]

New York University's Nouriel Roubini.

"The Treasury Plan (even in its current version agreed with Congress) is very poorly conceived and does not contain many of the key elements of a sound and efficient and fair rescue plan." [Personal Blog, 9/31/08]

Senator Byron Dorgan, D-ND.

"I will not vote for a plan that I believe fails to address the central cause of this crisis: unregulated financial markets that hide the unbelievable speculation and reckless investments by some major financial institutions whose losses are now being loaded on the backs of the American taxpayers. Those financial markets must be regulated now." [Senate Floor Statement, 10/1/08]

Elizabeth Warren, Harvard.

At a Harvard panel discussion, Elizabeth Warren of Harvard has said that the package is not necessarily addressing the roots of this crisis. A crisis that, "at its heart," was caused by "selling mortgages that were simply unsustainable ... a dirty product," The problem was compounded when the insurance giant AIG offered (unregulated) credit default swaps. This amounted, in Warren's view, to "offering insurance on mortgages doomed to fail." She has called for changes in the bankruptcy laws and for a "financial product safety commission" similar to the Consumer Product Safety Commission. She noted that in the United States, "every physical product that you touch" has to meet some basic safety standards, and compared the balloon mortgages introduced in recent years to a toaster that has a 1 in 5 chance of bursting into flames. "It would not be acceptable to put something like that on the market, even if you could do it for $2 less."

[Panel Discussion at Harvard University, http://www.news.harvard.edu/gazette/2008/10.02/11-economicspanel.html, 10/2/08]

Consumers Union, President Jim Guest.

"Millions of Americans have been struggling with the downturn in the economy and now this crisis on Wall Street has families across the country worried about their financial futures. Congress must take steps to protect consumers and taxpayers as it works to stabilize financial markets rocked by bad business decisions and a crisis in confidence." [Letter to Congress, 10/3/08]

Senator Bernard Sanders, I-VT.

This bill does not effectively address the issue of what the taxpayers of our country will actually own after they invest hundreds of billions of dollars in toxic assets. This bill does not effectively address the issue of oversight because the oversight board members have all been hand picked by the Bush administration. This bill does not effectively deal with the issue of foreclosures and addressing that very serious issue, which is impacting millions of low- and moderate-income Americans in the aggressive, effective way that we should be. This bill does not effectively deal with the issue of executive compensation and golden parachutes. Under this bill, the CEOs and the Wall Street insiders will still, with a little bit of imagination, continue to make out like bandits. [Senate Floor Statement, 10/1/08]

Dean Baker, Center for Economic and Policy Research.

"Suppose the Paulson plan goes through. It is virtually certain that the economy will weaken further and the number of foreclosures and people without jobs will continue to rise. This is the fallout from a collapsing housing bubble." [Talking Points Memo, http://tpmcafe.talkingpointsmemo.com/2008/09/26/bailing_on_the_bailout_or_is_i/ 9/26/08]

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These have been terrifying days--and not just because of the spectacle of the nation's financial infrastructure crumbling before our eyes. Our political elites were warned of the immediate need to restore confidence in a failing system. But, instead of acting, these elites (of both parties) balked, or behaved like buffoons. When asked to play a reassuring role, they turned in a deeply unsettling performance.

Despite the significant improvements Democrats made to Paulson's initial plan, they failed to correct serious (but fixable) flaws. They should have forced Paulson to further clarify how the Treasury will buy the billions in toxic assets--a process that is ripe with potential for conflict of interest. And they failed to demand the one step that would speak most directly to the roots of the crisis and to their own constituents: that bankruptcy judges be given the ability to reset the terms of mortgages of homeowners threatened with foreclosure. Instead, they acceded to Republican provisions that will probably have little effect on the actual financial crisis.