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To: Koch, Anna;
Subject: The Conaway Chronicle: Why I Voted for the Economic Stabilization Act
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As I have discussed with many of you over the past week, my vote on Monday against the Emergency Economic Stabilization Act was a decision that I struggled with. Although I have cast many difficult votes during my time in Washington, this particular vote was different because of the extraordinary consequences and stark differences between my two options. A vote for the package would have empowered the federal government in ways that were unprecedented, but inaction in this crisis could have led to far reaching disruptions in our economy that put the livelihood and life savings of millions of people at risk. In the end, I chose to oppose it because I believed that we could craft a better bill rooted in a free market solution to a free market problem.

In the days leading up to Monday's vote, I did all the usual fact gathering, listening to expert and constituent opinions, and bill reading that I normally do to decide my position, but found that I still did not have the answer. I appreciate the many letters, emails, and other communications from all of you expressing your opinions about the correct course of action. Most of you were against the rescue plan, and I weighed your thoughts as I tried to make my decision. Quite frankly, given your almost universal opposition to the plan, a no vote was the path of least resistance. And in fact, while I was home this week most of you continued to support my opposition to the rescue plan. However, I also spoke with a growing minority of constituents who were disappointed that I did not support the House bill and urged me to support the plan if it came back up for a vote in the House.

Now I want to explain my vote today. Although I had been hopeful that House Republicans could have had a greater impact on the next version of the bill, I wound up disappointed that our free market suggestions were dismissed by Speaker Pelosi and the Democratic leadership. The amendments added to the bill by the Senate however, did make two important changes. One amendment increases the Federal Deposit Insurance Corporation (FDIC) insurance limits, which I believe improves the rescue plan. This increase will help calm bank depositors' anxiety about the safety of their bank accounts, reducing the likelihood of panicked bank runs. The other amendments extended important tax provisions, such as a one year patch to the AMT, sales tax deductions and disaster relief for Texas' hurricane victims. Although unrelated to the plan, I supported this tax relief and was expecting to vote on similar legislation before the year was out.

Unfortunately, the media has greatly mischaracterized and exaggerated the scope of these tax provisions by falsely labeling them as "pork-barrel earmarks." Earmarks are individual Congressional Member directed funds for projects or programs, to specific locations. What is included in this bill are not earmarks, but various extensions of tax cuts, the overwhelming majority of which are current law, but set to expire at the end of the year. That is to say, if these tax provisions are not passed, many Americans would be paying more in taxes on January 1, 2009 than they were on December 31, 2008. Although I am frustrated and disappointed with the Washington politics played by Senate amendments, the fact remains that they were added to the legislation, and we must vote on the whole package.

While these amendments made the overall bill easier to vote for, they were not my final determining factors. After the vote on Monday, the stock market reacted to the defeat of the rescue plan with a dramatic drop, wiping out a trillion dollars from individuals' 401Ks, pension plans, private investments, and college funds in a single day. I also began reading of credit availability issues across the country, as the lending between banks withered and one of our key interest rates doubled. The overall issue that had to be addressed was confidence in the short term lending facilities, particularly commercial paper markets and overnight lending between banks. The rescue plan's focus on the mortgage-backed securities (MBS) and related financial instruments is an attempt to remove these sources of uncertainty from our financial system, thereby restoring confidence in the short and medium term lending activities that are the lifeblood of our economy.

I do not know if this plan will work to restore that confidence, but I also believe that inaction is not an option. I wish the fallout of the excesses in the MBS industry could be limited to just the direct participants that made the risky loans or the individuals that borrowed money that they could not pay back. That is not the case, and the impact is being felt across all sectors of our economy and nation. The ultimate costs of our implementation of the plan cannot be estimated at this point, but no one believes the costs will approach the total appropriated. There are provisions in the legislation that allow the government to receive equity positions in the companies that receive help, as well as a requirement that the President present a plan to Congress to recoup any shortfalls from the companies that received help in five years time.

I am aware that the plan is far from perfect. If I were the only Member of Congress, I would have designed a different mechanism to enable the financial services industry to work out the problems it created. As you all know, we do not live in a perfect world. After

struggling all week with the Democrats and the White House, it is clear to me that this plan is the best that we will be able to pass. To walk away from this bill would be to invite the Democrat majority to write a bill with no Republican input, and pass a bill laden with giveaways to special interest groups that will only exacerbate the problems in our housing market. While my hands would have been clean of such policies, they still would have come to pass, and that result would have been far worse than the bill passed today.

I understand that voting against the weight and volume of constituent opinions that have been expressed has political consequences. For many of you, my decision on this bill may be a litmus test for your support of me in the future. I believe you hired me to do what is best in my reasoned judgment, not what is easy or politically expedient. As your Representative, I have an obligation to stand before you and explain myself, and it will be no different with this vote. I have often been blessed with your faith in my judgment and your willingness to listen to the reasons for my decisions. In the coming month, I will be traveling around the 11th Congressional District and I hope that this favor is still extended.

This is truly a watershed moment for our nation. Like ripples on a pond, the disturbance on Wall Street will reach all corners of our economy without decisive action. It is my fervent hope that this legislation will calm the fear and uncertainty that have gripped our lending markets and enable us to implement deeper structural reforms that prevent a crisis of this magnitude from ever reoccurring.

I deeply appreciate the advice, prayers, and opinions of everyone in the District during this time. It has been my duty to exercise my best judgment on your behalf. If you have any questions about my vote, please do not hesitate to ask me as I travel throughout the district and meet with you in your communities.

The Conaway Chronicle will be issued every week when Congress is in session. I hope that you will find it informative and will continue to stay informed with my recent legislative activities in Washington. In the meantime, if you have any questions, concerns or suggestions for future issues of the Conaway Chronicle, please visit the website at www.house.gov/conaway or don't hesitate to call me at (202) 225-3605. Check out my blog at www.conawayblog.com!

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