



Congressman Tom Petri

News from Congress



MARCH 2009

WHAT ABOUT THE ECONOMY?

BY REP. TOM PETRI

To state the obvious, the economy is in terrible shape and people are hurting. It's generally clear what went wrong. Congress has acted to hasten the recovery, but in ways that I think were poorly thought out. We need strong action, but should do the job right.

Until the economy recovers, the recession will be difficult for many. But recovery will come.

Many remember the late 1970s when inflation was over 13 percent and interest rates were in the double digits. That was followed by a deep, painful recession in the early 1980s with unemployment peaking at 9.7 percent. But we got through it, and the economy prospered. We will also get through these difficult times, and intelligent government action can speed our recovery.

What Happened?

The short answer is that Wall Street, large and small businesses, Congress, past administrations, the Federal Reserve and consumers generally all developed too great an appetite for cheap credit.

People wanted to be able to buy things, businesses wanted to make sales, the government wanted to promote purchases to keep the economy growing, and seeming innovations in mortgage financing were making it easier for families to own their own homes. The incentives were geared toward keeping people and businesses borrowing, lending, buying and getting over-extended.

Housing prices began to rise so quickly that many borrowers agreed to pay more than they could afford on the assumption that prices could only continue upward. The choice seemed to be: buy now at a high price and see your assets grow or miss out and watch home ownership race continually farther out of reach.

To keep home prices expanding, new purchasers were needed, and exotic mortgage products were offered that lowered payments in the short-term, but increased the risk of default over the long haul.

Housing prices couldn't continue their phenomenal boom. A point was reached

when people couldn't pay, no matter how much they extended themselves.

Suddenly, it became obvious that houses were overpriced, the speculative bubble burst, and prices collapsed. Homeowners who had been financing consumer purchases through second mortgages suddenly discovered that they had no more equity, and that in fact they owed more on their homes than the homes were worth. This was especially true of homeowners who borrowed 100 percent or more of the sale price of their home.

In short order, people realized that they could not repay their loans, could not raise money by selling their homes, and could not spend at stores, restaurants or car dealerships as they once had.

When people stop lending, borrowing and spending, businesses close and people lose their jobs.

Further, the world is so dependent on our economy that crisis here means disaster elsewhere. And so, the entire global economy has stalled.

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The House Aviation Subcommittee held a hearing Feb. 24 on the successful Jan. 15 ditching into the Hudson River of U.S. Airways Flight 1549, after bird strikes caused both engines to fail shortly following take-off. Rep. Petri, the Ranking Member on the Subcommittee, is shown with Captain Chesley B. "Sully" Sullenberger, III (pictured right) and First Officer Jeffrey B. Skiles, a Madison-area resident.

Congress Responds

Last September, when the dimensions of the problem started to come into focus, I came to the conclusion that strong government action was required. Unfortunately, the \$700 billion banking proposal brought before Congress was advanced in an atmosphere of panic, and we were all urged to vote “yes” without taking time to understand how the money would be utilized.

Under the circumstances, I voted “no” because I thought the proposal unworkable. The bill passed anyway, and the Treasury Department has ended up using the funds in ways very different from what was advertised—in some ways similar to what I had advocated to recapitalize the banks, but in other ways ineffective and unnecessarily wasteful.

In December, the Big Three Detroit car companies came to Washington warning of bankruptcy and asking for money. I am very much in favor of America’s auto manufacturers, but their recovery plans seemed to be, basically, to operate for a few more months and come back for more money. The restructuring language in the legislation we were offered in return for \$14 billion in loans lacked teeth.

I wanted to vote “yes,” but decided that I had to vote “no.” Ultimately, Congress rejected the package, but President Bush used money from the bank bailout (now basically

a huge slush fund) to keep General Motors and Chrysler going.

As I write this, the auto companies have announced what appear to be serious restructuring plans, but say they may need an additional \$21.6 billion from the government.

In January, I authored a newspaper column advocating a large stimulus plan to get the economy moving again. Unfortunately, the \$787 billion bill that finally passed included too little short-term spending and too much topping-off of government programs in ways which will likely inflate budget baselines permanently.

Find Help!

Dial 2-1-1 for free and confidential information on non-emergency community services, including government and nonprofit organizations.

More emphasis should have been placed on repairing infrastructure—taking care of long-delayed maintenance of roads, bridges and the like—projects which would pay for themselves in increased economic efficiency and which could quickly be scaled back once the economy recovers.

We have also missed an opportunity to tackle some of the big transportation projects which are economically justified, like upgrading Highway 41, but are difficult to fund in normal times due to the expense.

In the final bill signed into law, only eight percent of the total was committed to infrastructure spending. By one estimate, this eight percent accounted for approximately half of the 3.5 million jobs forecast to be created by the package. Put another way, 92 percent of the new law is targeted so poorly that it will create only as many jobs as the eight percent directed toward infrastructure. Accordingly, I could not support the plan.

Consider the context: For the 2008 budget, Congress appropriated \$481.9 billion for domestic spending, excluding entitlement programs like Medicare and Medicaid, and defense/security funding.

Set that \$481.9 billion alongside the \$700 billion for the bank bailout plus \$787 billion for stimulus, and you get a rough sense of the dimensions of what Congress has been doing. And the President, the banks, industry and others are coming back for more.

In inflation-adjusted terms, the entire Vietnam War cost us \$698 billion—and Congress has rushed through emergency spending of twice that amount, mostly written in secret and fully understood by no one—in just a few months. When spending sums this huge, greater care should be taken.

Town Meetings With Representative Tom Petri

Town Meetings provide opportunities to discuss national issues in a group setting. My latest round of Town Meetings will take place from April 6th through April 15th at 12 locations throughout central Wisconsin. Please come and express your opinions!

MONDAY, APRIL 6th

10:30 - 11:30 a.m.—**North Fond du Lac**
Municipal Building, 16 Garfield Street
Village Board Room

2:30 - 3:30 p.m.—**Berlin**
Berlin Senior Center, 142 Water Street

TUESDAY, APRIL 7th

3:00 - 4:00 p.m.—**Brillion**
Brillion Public Library, 326 North Main St.
Lower Level Meeting Room

WEDNESDAY, APRIL 8th

9:00 - 10:00 a.m.—**Town of Rome**
Municipal Building
1156 Alpine Drive

1:30 - 2:30 p.m.—**Redgranite**
Municipal Building
161 Dearborn Street

3:30 - 4:30 p.m.—**Winneconne**
Municipal Center
30 South First Street, Community Room

THURSDAY, APRIL 9th

9:30 - 10:30 a.m.—**Mayville**
City Hall, 15 South School Street
City Council Chambers

MONDAY, APRIL 13th

9:30 - 10:30 a.m.—**Oostburg**
Oostburg Public Library/Civic Center
213 North 8th Street

3:30 - 4:30 p.m.—**Two Rivers**
City Hall, 1717 East Park Street
City Council Chambers

TUESDAY, APRIL 14th

9:30 - 10:30 a.m.—**Westfield**
Ethel Everhard Memorial Library
117 East Third Street, Community Room

3:30 - 4:30 p.m.—**Neenah**
City Hall, 211 Walnut Street
City Council Chambers

WEDNESDAY, APRIL 15th

9:30 - 10:30 a.m.—**Town of Ixonia**
Ixonia Town Hall
W1195 Marietta Avenue

WHAT ARE YOUR VIEWS?

Your opinions are of vital concern to me. Please take a few minutes to answer these important questions.

Mark your responses below or **SAVE POSTAGE** and repond online at <http://petri.house.gov/2009survey>

1. Various financial rescue packages enacted in recent months have given the federal government unprecedented power over the affairs of private businesses, such as banks, auto manufacturers and other companies. As the economic crisis recedes, should such government involvement be lessened?

A Yes **B** No

2. The economic stimulus package which became law in February included a provision requiring construction materials and equipment used in its projects to be manufactured in the U.S. This has sparked complaints and threats from trading partners overseas. Do you support such "Buy American" provisions, even though some say they might cause retaliation against U.S. exports?

A Yes **B** No

3. American automobile makers are facing financial trouble and have sought more government assistance to avoid collapse, which could impact suppliers, dealers and others. Should taxpayer dollars be used to save these struggling companies?

A Yes **B** No

4. The President has announced his intent to reduce our troop presence in Iraq. Do you agree?

A Yes **B** No

5. As we are winding down our presence in Iraq, do you support the President's decision to increase the number of troops in Afghanistan?

A Yes **B** No

6. Tax cuts enacted in 2001 and 2003 will expire after 2010, unless extended through congressional action. Some are suggesting that reductions targeted at households with incomes above \$250,000 should be ended to provide the government with more revenue. Do you think that affluent taxpayers should see their taxes increase in 2011?

A Yes **B** No

7. Health care reform remains a pressing issue. Because the government is sure to be involved in any solution, which do you believe is its most appropriate role? (*choose one*)

A Taxpayer-funded insurance for all;

B Government-mandated private health insurance coverage, with subsidies for low-income individuals;

C Tax incentives to help individuals obtain private, market-based insurance;

D Other.

8. Congress will likely consider legislation this year favored by unions that would require employers to recognize "card checks" in which a majority of employees sign a card in favor of unionization as a formal vote rather than by a secret ballot election. Do you think unions should be allowed to organize with card checks instead of a secret ballot election?

A Yes **B** No

9. With recent controversies surrounding the process for appointing U.S. senators by governors to fill vacancies, do you think that special elections should be required in all states to fill vacant Senate seats in the future?

A Yes **B** No

10. As funding for transportation is scarce, some discussion has focused on the use of tolls and other sources of revenue to complete projects. Do you support the imposition of tolls to fund highways in Wisconsin?

A Yes **B** No

To repond online, go to <http://petri.house.gov/2009survey>



Respondent #1

Respondent #2

- 1.** A B
- 2.** A B
- 3.** A B
- 4.** A B
- 5.** A B
- 6.** A B
- 7.** A B C D
- 8.** A B
- 9.** A B
- 10.** A B

- 1.** A B
- 2.** A B
- 3.** A B
- 4.** A B
- 5.** A B
- 6.** A B
- 7.** A B C D
- 8.** A B
- 9.** A B
- 10.** A B

Please indicate your age range 18-34 35-59 60+

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Questionnaire, Town Meeting Schedule Inside

Tom Petri

Representative

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Congress of the United States
Washington, D.C. 20515

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Sixth Congressional District
Wisconsin

M.C.
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UPCOMING EVENTS IN THE 6TH DISTRICT

► Congressional Art Competition for High School Students

Entries from individual high school artists from school districts throughout the 6th District will be displayed and judged on May 8th in Fond du Lac, with the winning submission to be exhibited for ten months in the U.S. Capitol in Washington, D.C.

► Grant Opportunities/Small Business Assistance

Would you like to learn about local government and nonprofit grant opportunities? Are you interested in small business assistance programs or how to do business with government? A conference on grants will be held on May 28th in Fond du Lac. A conference on small business programs will also be held in August.

► Academy Day

Representatives from all of the U.S. service academies will be available to discuss application procedures and answer questions from interested students, parents and guidance counselors at this annual event to be held September 26th at the EAA in Oshkosh.

For more information on any of these events, please visit my Web site or contact me via email or by calling one of my district offices.

6th District Offices

Washington

2462 Rayburn Building
Washington, D.C. 20515
(202) 225-2476

Fond du Lac

490 West Rolling Meadows Dr.
Suite B
Fond du Lac, WI 54937
(920) 922-1180
Toll-free 1-800-242-4883

Oshkosh

2390 State Road 44, Suite B
Oshkosh, WI 54904
(920) 231-6333

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Email: Follow the link on the front page of the Web site above.

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Congressman Tom Petri

2462 Rayburn Building
Washington, D.C. 20515

Questionnaire Responses