Floor Statement by Senate Budget Committee Chairman
Kent Conrad (D-ND) on Financial Rescue Plan
October 1, 2008

First, I thank Chairman Dodd for his extraordinary leadership. Let me say to every Member, we are fortunate to have Chris Dodd at this critical position at this important time. He has conducted himself as a superb professional. Thank you, Chairman Dodd, for the leadership you have provided for the country, and to the rest of the negotiating team from the Senate, Senator Gregg, who did such a strong job of leadership in those negotiations, Senator Schumer, Senator Baucus, Senator Jack Reed -- all of whom made major contributions; certainly our own leader Harry Reid, who insisted that we stay at it until the job was done.

Colleagues and countrymen, this is a defining moment. History is being written. Our economy is threatened. We all understand that at the heart of this matter is a housing crisis compounded by a fiscal crisis compounded by an energy crisis, all of them closing in on the country at this moment.

The home foreclosure rate is the highest level ever.

We have seen the stock market decline by more than 22 percent since its peak last October, with the most recent plunge, the day before yesterday, the Dow falling 777 points in 1 day. We all know that.

Even more important is what is happening in the credit markets. "Credit Enters a Lock Down, and Wheels of Commerce Freeze Up." But in this story from the *New York Times* of September 26 are these two paragraphs: "With the economy already suffering the strains of plunging housing prices, growing joblessness, and the newfound austerity of debt-saturated consumers, many experts fear the fraying of the financial system could pin the nation in distress for years. Without a mechanism to shed the bad loans on their books, financial institutions may continue to hoard their dollars and starve the economy of capital. Americans would be deprived of financing to buy houses, send children to college and start businesses. That would slow economic activity further, souring more loans, and making banks tighter still. In short, a downward spiral."

We can see the beginnings of precisely that dynamic in the credit markets. This, the spread between the 3-month rates on LIBOR and Treasury bills, is a measure of the risks banks see in lending to each other. It has shot up to record levels in these last 72 hours. That means credit is being choked up. That means credit is being locked up. That means the economy is being locked down.

What is the result of all this? We have already seen major financial institution after institution fail: Fannie Mae; Freddie Mac; Bear Stearns; Lehman Brothers; Washington Mutual, the largest savings and loan association in America; AIG, the largest insurance company in the world; Wachovia; Merrill Lynch and, overseas, FORTIS and four other major financial institutions, just over the weekend.

Colleagues, we can connect the dots. Something dramatic and serious is occurring.

The Chairman of our own Federal Reserve said this to us: If we fail to act, unemployment could rise to 8 or 9 percent in the next 6 months. What would that mean? That would mean between 3 and 4½ million more Americans would lose their jobs in the next 6 months. Colleagues, let's focus on this point. The Chairman of the Federal Reserve is telling us, absent our action, 3 to 4½ million more of our countrymen could lose their jobs in the next 6 months.

The truth is, none of us knows if this package will be enough -- but it is a beginning. It is a solid beginning. It is a bipartisan beginning. We may need to do more, but much has already been done.

Let's look at the package that was sent us. The administration sent us a package with no equity stake for taxpayers. That meant no upside for taxpayers. Seven hundred billion dollars was provided in a lump sum. All the power in the hands of one person, the Secretary of the Treasury, and no limits on executive compensation or golden parachutes.

In the negotiations from Thursday until now, we have dramatically changed this package. Taxpayers will now receive an equity stake, so they have a potential profit when markets recover. Funding is now to be released in three installments, not just one lump sum, allowing for additional congressional oversight. An oversight board will now be created to ensure that the Treasury actions protect taxpayers and are in the Nation's economic interests. And now, no golden parachutes will be allowed, and executive compensation will be capped. In addition, FDIC insurance is now raised from $100,000 per account to $250,000 an account.
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This is a defining moment. All of us understand the anger of our constituents and our own anger. I must say, as I have been part of this effort over this last week, my own anger level has risen as I have heard descriptions of the extraordinary risky, reckless behavior of people all throughout the chain who have helped create this crisis. We will hold them to account. Already the FBI has launched four investigations. People will be criminally charged, I believe, before this is over.

Today, we have a decision to make. Do we support a package to soften the blow, to try to prevent this downward spiral from accelerating and intensifying? That is our challenge. That is our charge. This is our best chance. This is our best chance. I ask my colleagues to support it. Again, we understand this is a tough vote. But our country needs us now. Our country is counting on us now. Let's not miss the chance to do something important for our Nation to prevent this crisis from intensifying.

I especially wish to thank the chairman of the Banking Committee who has given his all to this effort.

I yield the floor.