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Congress Agrees to Bailout Wall Street without Considering Alternatives or Consequences

-- A column by Congressman Geoff Davis

On October 3rd, the House passed the revised version of the Emergency Economic Stabilization Act of 2008 (H.R. 1424) by a vote of 263 to 171. After weighing the new proposal and its potential ramifications carefully, I voted against the $700 billion taxpayer-funded government purchase program for a second time because I am still unconvinced this is the right way to help the economy. This bill is not a long-term solution to the problems we face.

Beginning with the Bear Stearns failure in March, followed by Fannie Mae, Freddie Mac, AIG and culminating with the latest legislation, the federal government has pursued a strategy of injecting an alarming increase in taxpayer dollars into the markets to prop up our financial institutions. Each time, the price tag for taxpayers gets higher and the corresponding temporary stability in our markets is shorter.

The Emergency Economic Stabilization Act of 2008 will grant unprecedented authority to Secretary of the Treasury. Today, that power is vested in Secretary Hank Paulson. However, in less than 100 days, someone new and unknown may be appointed to manage this unprecedented government program. Despite the fact that this legislation centralizes tremendous power in the executive branch, the bill provides insufficient Congressional oversight of the program.

Taxpayers should not be held hostage by bad lending practices and greed on Wall Street. I am very disappointed that the other viable options proposed by economists and my colleagues were not given more thoughtful consideration, especially in light of the House's initial rejection of the bill just four days earlier.

Many proposals were suggested, including a government insurance or loan program for troubled assets, temporary suspension of capital gains taxes, suspension or revision of mark-to-market accounting principles, or other tax provisions that would encourage banks, businesses, and investors (private capital as opposed to taxpayer funds) to inject liquidity into the credit markets. The biggest problem for small businesses in

Kentucky is the lack of readily available credit needed to keep businesses operating, growing and creating jobs. If enacted, many of these provisions would bring long-term and stable access to credit back to our economy.

While I could not support the final package presented to the House, it is important to recognize that this version of the bill was a significant improvement over the original proposal. Kentuckians should credit Senators McCain and McConnell and Representative Boehner for making important improvements to the bill. At their insistence, Republicans in the House and Senate were able to modify the legislation to include better congressional oversight provisions as well as a provision that prevents the Secretary from gaining immediate access to the full $700 billion amount.

Restoring stability and confidence in our markets is vitally important to our economy. However, by passing this legislation, Congress has made it acceptable to expect taxpayers to pay for others' mistakes and greed. Given the track record to date, this is not the last time our government will be asked for a quick-fix bailout to aid a troubled industry instead of investing in responsible long-term solutions to help our economy get back on track.