October 01, 2008

On Monday, the House of Representatives voted down HR 3997, the Emergency Economic Stabilization Act of 2008, by a vote of 205-228, rejecting our efforts to recapitalize the credit system. I was sorry to see this step taken.

There are many uncertainties surrounding this financial situation. One thing, however, is clear: Americans are angry. Recent weeks have peeled back the thin veneer of propriety that had covered the malfeasance and uncontrolled greed that has run rampant in Wall Street for years. We all want to say, "Let 'em fail, they deserve it!" and watch as the men and women who played so fast and loose with the stock and credit markets for the sake of a quick and easy buck get their comeuppance. We would all like to do that, and that is what the majority of the House voted for, but I am worried about the effects it will have on the American people.

In the first place, many of those who are truly responsible aren't on Wall Street anymore. They're retired and living comfortably off the profits they made before the system collapsed. That's why the Emergency Economic Stabilization Act of 2008 contained not only limits on CEO pay and a prohibition against golden parachutes, but would also have recovered the bonuses already paid to those executives who ran their companies into the ground. The Federal Bureau of Investigations has already begun investigating several companies to uncover criminal activity, and I will be watching those investigations closely.

Those executives are not our primary concern, however. We can and should deal with them later, and I won't be satisfied until we do. Right now, I have a much bigger concern: you. For good or for ill and for a variety of reasons, this proposal was the only one on the table. My colleagues and I have worked to make it the best deal possible, and the choice was between this and nothing. I am sorry that the House chose nothing. I hope that we will be OK, that the markets can take this hit and recover. But I worry that the credit system could collapse, and that banks will start calling in mortgages. The jobs market could collapse, and companies could start sending out pink slips. We have already seen the Dow plummet, and the value of retirement plans has already begun to disappear. No one could promise that this proposal would have fixed everything, but I refused to give my support to this attempt to play chicken with your house, your child's student loans, or your job.

Let me make clear, too, that the plan I just voted for was not the bailout that President Bush requested. That was rejected out of hand. What I voted for, instead, is a financial stimulus package. That's not just fancy words, there is a real difference. Our primary goal was to make sound investments in the financial markets to get those markets back on track. We had cut the requested $700 billion in half, and any future payments would come only if this Administration, or the next one, could prove that they were justified. With each transaction posted on the Internet, we offered a transparency the likes of which we have never seen before. The Administration would have been forced to make regular, public reports - some in as little as seven days after a loan is made - explaining why that step was taken.

Every dollar we spent under this plan would have come with strings attached, strings that connected your tax dollars to you. Instead of simply giving money to these companies, the government would have purchased their stock. If the companies recovered, we could have sold

that stock to recoup our investment or even make a profit, and Wall Street would have been accountable, in any case, for any shortfall remaining after five years. Every company on Wall Street, those which are directly aided by this plan and those which aren't, would have seen the start of a new regulatory phase. Congress and the Executive Branch agencies that failed us all - the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the rest - would have been reenergized and every action taken to address the crisis would have been subject to Congressional and Judicial review.

The plan also would have extended a helping hand to homeowners, who have been hit so hard by the collapse. In the first place, though it took a bitter fight to secure, the government would have worked with loan servicers to adjust individual mortgages to take into account both recent turmoil and the mistakes of the original lenders. This would not only lessen the number of foreclosures, keeping hard-working people in their homes, it would also have boosted the economy and lowered the cost to the taxpayers of dealing with those properties. The plan would also have extended the foreclosure tax relief we passed last year, so that those families who lost their homes wouldn't have to pay the government for the privilege. We had means of providing relief to any community banks, which make up the heart of San Antonio's financial system, that were hit by the collapsed mortgage market, so that the small businesses who depend on those banks could weather this storm. I have spent the past days conferring with San Antonio's financial leaders, and with my colleagues in the House, to monitor how this legislative decision will affect the people of the 20th District and to determine what I can do to protect your savings and your homes.

Whatever comes next, one thing is certain: A rough road lies ahead for us all. Few people are so bold as to say whether we have seen the worst. I hope that my conviction in the necessity of action will prove unjustified. I want to believe that things will be OK. Certainly, it will take years to undo the damage that has been done. I wanted to take the hard steps necessary to get the economy back on track now. The panic that has gripped the financial services sector in recent weeks has undermined the value of every aspect of American business. If no one is willing to buy anything, even a mortgage that really is worth $100,000 appears to have no value at all. By stepping into this system with a mature, reasonable approach and making sensible purchases with a view to the long-term interests of the country, the government could have gotten our economy moving again. We will now seek other means of restoring our credit and financial systems, and other ways to address this serious situation.