

Bipartisan Rescue Package Addresses Financial Crisis on Wall Street and Main Street

Below are a few of today's editorials:

Washington Post, "[The Deal Is Done](#)"

USA Today, "[Rescuing Wall Street stinks, but hold your nose and do it](#)"

Beaver County Times (PA), "[Lap dogs no more: Next Congress must reassert its important constitutional role](#)"

Washington Post, "[The Deal Is Done](#)"

Congress and the Bush administration appear to have completed the monumental task of designing a rescue plan for the U.S. financial system. And they have done so remarkably swiftly -- just 10 days after Treasury Secretary Henry M. Paulson Jr. and Federal Reserve Board Chairman Ben S. Bernanke somberly warned of an imminent collapse that could have led to sudden bank failures, mass unemployment and the widespread loss of retirement savings.

There have been bumps along the road -- the most significant of which was a contentious White House meeting sparked by the highly dramatic and seemingly counterproductive intervention of Republican presidential nominee John McCain. But as difficult and bitter as the process has been, the rescue, if it passes both houses of Congress, could be remembered as a case study in bipartisanship under extremely difficult circumstances. Perhaps Washington is not quite as irredeemable as the campaign's rhetoric would have it.

Of course, that hopeful interpretation hinges on whether the plan succeeds in its objective: restoring a measure of normality to credit markets that have verged on dysfunctional in recent days. At its core, the plan closely follows Mr. Paulson's original proposal. It authorizes up to \$700 billion in government purchases of "troubled assets": securities backed by soured mortgages that are unmarketable under current conditions and are eating away at banks' capital like viruses devouring computer memory. Under the compromise reached yesterday, the money would be doled out to the Treasury in installments, with \$250 billion provided up front, but the conditions on releasing the rest are reasonably flexible.

The government buy-up should permit banks to raise new capital and to resume lending to one another. If all goes really well, the eventual cost to the government will be nowhere near \$700 billion, since the government could end up selling at least some of the securities for more than it paid for them.

Still, the final plan reflects the legitimate concerns of Democrats and Republicans that Mr. Paulson's proposal provided for almost no formal oversight of what is bound to be a complex process fraught with potential conflicts of interest. The agreement creates an oversight board appointed by bipartisan congressional leaders, permanent Government Accountability Office

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surveillance and an independent inspector general. The plan also now gives the Treasury a strong option to take equity in companies from which it buys securities, so that taxpayers can participate in any profits. To satisfy populists in both parties, there are restrictions on executive pay and severance packages. The plan also contemplates that the Treasury will use its new market clout to encourage loan modifications and other workouts for troubled homeowners; and in a concession to House Republicans, there will be an option to insure rather than buy some mortgages.

Both Mr. McCain and his Democratic rival, Sen. Barack Obama, signaled yesterday that they could live with the plan. This is as it should be, considering that the alternative to this admittedly imperfect and highly uncertain program could be much, much worse -- and that one of them will soon have to make sure that the plan does, indeed, work.

USA Today, “[Rescuing Wall Street stinks, but hold your nose and do it](#)”

Anything called a "Wall Street bailout" is bound to incite hostility as it combines one of Americans' least favorite institutions with one of their least favorite things to do. In the universe of grimace-inducing phrases, it would have to rank with "violent-criminal parole" and "congressional pay raise."

So it's hardly surprising that the plan to buy \$700 billion in troubled assets from financial institutions generated a wave of public outrage and political maneuvering that nearly derailed the deal that jelled Sunday on Capitol Hill. Fortunately, responsible lawmakers of both parties recognized that bailing out Wall Street is the best hope of averting what famed investor Warren Buffett called an "economic Pearl Harbor" elsewhere.

Of the many things to say about the latest deal, which goes to the House for a vote today, the most important is this: No matter how unpleasant, it has to be done. The nation faces a credit crisis that has toppled several once-mighty financial firms and threatens to inflict widespread damage on Main Street.

It is no certainty that this latest plan will work. Nor is it completely certain that economy calamity will ensue if Congress fails to act. But the upside potential, and the downside risk, constitute a clarion call for action.

A second thing to say about this bailout package is that it does not represent socialism, as some conservative lawmakers and commentators have suggested. The \$700 billion outlay, though huge, is about half of what the government will spend next year on Social Security, Medicare and Medicaid, programs that few bailout critics want to curtail.

What's more, this bailout is a temporary fix, with the government spending dollars to acquire loan portfolios and warrants to buy stock, which it will sell when economic conditions improve.

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In terms of its ultimate cost, taxpayers should get much of their original investment back, and some think they could even profit.

Nor is there anything particularly unique about government interventions into credit markets. Perhaps the closet parallel was the savings-and-loan bailout passed by Congress in 1989, in which the government spent about \$124 billion in taxpayers' dollars to buy and resell distressed assets of failing thrifts.

Ultimately, the bailout's biggest impact could be in forcing the next president to act a more fiscally responsible way. Even if the government eventually recoups the money, initial outlays and economic weakness are likely to push next year's federal deficit near a record-shattering \$1 trillion.

Unfortunately, despite repeated pressing by moderator Jim Lehrer at Friday night's debate, neither Republican John McCain nor Democrat Barack Obama came to grips with how the financial crisis would alter his plans to cut taxes or increase spending. Perhaps it's not smart politically to acknowledge that the world has changed since those vote-drawing plans were drafted. But it would be nice to know that the next president, be it McCain or Obama, is in touch with reality.

Beaver County Times (PA), [“Lap dogs no more: Next Congress must reassert its important constitutional role”](#)

If nothing else, the current economic crisis has shown that Republicans have learned the importance of congressional oversight of the executive branch.

It's too bad it took them almost eight years to understand the fundamental precepts of separation of powers and checks and balances that are woven into the Constitution.

When President Bush came to Congress calling for the speedy adoption of his \$700 billion bailout package, it was the standard Bush administration attitude over the last eight years — don't ask any questions, just do what you're told.

Despite the dire warnings of the president and his men, the Democratic-controlled Congress balked at rubber stamping the package. Instead, Democrats and Republicans in the House and Senate raised questions about giving the executive branch carte blanche over \$700 billion.

As House Speaker Nancy Pelosi, D-Calif., and House Republican Leader John Boehner of Ohio said in a joint statement, “We agree that key changes should be made to the administration's initial proposal. It must include basic good-government principles, including rigorous and independent oversight, strong executive compensation standards and protections for taxpayers.”

While it might be temporary, congressional Republicans' embrace of congressional oversight is a welcome change. During the first six years of the Bush White House when Republicans controlled the House and Senate, they basically abdicated their constitutional responsibilities.

Instead of seeing Congress as co-equal to the executive branch, they were little more than lap dogs for the Bush White House, treating the president as if he were a prime minister and they were parliamentary members of his party. Their loyalty was to Bush and their party, not their branch of government and their constitutional responsibilities.

No matter which candidate wins the presidency and no matter which party controls the House and Senate, members of Congress must reassert their responsibilities.

This transcends liberal-conservative ideology and Democrat-Republican politicking.

It's about checks and balances, separation of powers and congressional oversight of the executive branch.