

On The Hill

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Broad Interests Line Up Against Bailout Plan

A variety of business and political interests are lining up against the Bush administration's proposed \$700 billion bailout of the U.S. financial sector, even as top policymakers are warning of dire consequences should the bailout plan not be approved.

Federal Reserve Chairman Ben S. Bernanke and Treasury Secretary Henry Paulson Jr. were on Capitol Hill, pressing quick action on the bailout plan the Bush administration unveiled late last week. Lawmakers of both parties reportedly were expressing some skepticism on the plan, as outside groups began criticizing it.

The progressive advocacy organization Institute for America's Future placed ads in the New York Times and on blogs questioning the massive bailout, in which the federal government assume billions of bad debt. Other advocates criticize the plan for focusing too much on large corporations, ignoring small business needs during the ongoing financial crisis.

The ad features an extortion note with cut-out letters that read, "Give us \$85 billion or the economy gets whacked." The ad goes on to say: "It turns out that last week's emergency bailout of once-mighty AIG was chump change. Now Wall Street is extorting another \$700 billion from the taxpayers to cover their losses."

The ad, called "Banksters Run Amok," is the second in a seven-part ad campaign series sponsored by the Institute for America's Future that encourages Americans to demand a real debate focused on "seven national crises that won't wait." This week's ad focuses on the Bush administration's "fast track" proposals in response to the possible meltdown of the U.S. financial system triggered by the mortgage crisis.

Campaign for America's Future co-director Robert Borosage says that the real problem occurred decades ago when conservatives in power deregulated the financial system.

"Americans deserve a full accounting of how we got into this financial mess," says Borosage. "Conservatives destroyed commonsense rules of the road allowing financiers to make billions playing with our system. These huge sums spent to cover bad bets could've been used to make America better."

The ad raises three concerns surrounding the bailout. It points to the need for oversight in return for rescuing the banks. It also raises questions about the corruptive influence of Wall Street money on politicians and justification for bailing out bankers rather than spending taxpayer dollars on helping average Americans who need financial help.

However, it is not only the left that is criticizing the bailout plan.

"As small business owners around the country continue to struggle to keep their businesses afloat, U.S. taxpayers are being asked to spend \$1 trillion to bail out investment banks, insurance companies, foreign governments and commercial banks," says George Cloutier, founder, chairman and CEO of American Management Services and co-chairman of Partner America, a public/private partnership of the U.S. Conference of Mayors and American Management Services. "The federal government is doing anything possible to help make sure Wall Street, big businesses and commercial banks get bailed out.

Cloutier assails both Democratic nominee Barack Obama and Republican John McCain for failing to adequately address the needs of small business during the roiling economy.

"Investment bank, big businesses and commercial banks will receive loans at low interest rates as a result of the Federal Reserve and the administration's involvement," Cloutier says. "Yet when it comes to small businesses, as usual they get the short end of the stick. Where's the equity? Small businesses should get 100 percent direct loans from the government and 100 percent guaranteed loans from banks. Obama and McCain both say that small businesses are the pillar of our country's economy, yet they are treating the 23 million small business owners as neglected orphans that are left behind the house.

"Credit for emerging small businesses has dried up and liquidity for existing companies has been all but choked off," Cloutier adds. "Businesses have not only become cautious about hiring but have even begun reducing their workforce as inflation skyrockets and the cost of common expenses like gas continues to climb."

The country's small businesses need a \$20 billion economic stimulus plan, Cloutier says.

"Why can't small businesses get 1.5 percent of the money the federal government plans to use to bailout Wall Street, big businesses and banks? Washington must demand, through legislation if necessary, that financial institutions and credit lenders loosen their iron grip and allow everyday small business men and women access to capital," he says. "Small businesses should be allowed, as Wall Street tycoons are, to borrow at 2.26 percent."