Democrats Respond to Financial Crisis on Main Street

Below are a few of today's editorials from Main Street:
Washington Post, "Bailout Politics"
Mansfield News Journal (Ohio), "Financial package needs to be passed"
Boston Herald, "A bailout first, reforms to follow"

Washington Post, "Bailout Politics"

The country is in grave economic peril. Government intervention is necessary to avert a credit market collapse. If ever there were a time for politicians to rise above partisanship and petty squabbling, this would be it. Rubber-stamping the plan proposed by Treasury Secretary Henry M. Paulson Jr. and Federal Reserve Board Chairman Ben S. Bernanke would have been an unwise abdication of congressional responsibility. Instead, however, the opposite could happen, and it would be far more dangerous. The toxic brew of presidential and congressional politics, topped off with a dose of ideological dissension, threatens to derail an agreement that seemed within reach just a few days ago. A breakaway faction better known as the House Republicans is pushing a completely different plan whose merits are dubious and that in any event arrives on the scene far too late. If the house is on fire, starting to build a better fire engine a week after the first alarm is hardly the sensible approach.

Sen. John McCain (R-Ariz.), the Republican presidential nominee, poured gasoline on this volatile mess with his announcement that he was suspending his campaign to deal with the financial crisis. Whatever Mr. McCain's intent, the inevitable effect was to inject presidential campaigning into an already difficult situation. Last night's first presidential debate, with the financial crisis appropriately front and center, was certainly not devoid of political jabs. Sen. Barack Obama (D-Ill.), the Democratic nominee, described the meltdown as "a final verdict on eight years of failed economic policies promoted by George Bush, supported by Senator McCain."

But the candidates toned down their finger-pointing; instead, both sounded hopeful notes about reaching quick agreement. Neither, though, was willing to be candid about the financial implications of the meltdown for his priorities as president. Mr. Obama said some retrenchment was needed but then proceeded to tick off his wish list of spending on energy, health care, education and tax cuts. Mr. McCain pinned his hopes on unspecified spending cuts and the overblown problem of earmarks. Asked by moderator Jim Lehrer how he would lead the country out of financial crisis, Mr. McCain said that "the first thing we have to do is get spending under control in Washington," which would be nice but is not exactly relevant to the immediate problem.

The candidates returned last night to their essential agreement about the necessary elements of a bailout package. Congressional negotiators would do well to keep that in mind as the negotiations proceed this weekend -- and not to succumb to the false notion of a divide between

Wall Street and Main Street. The reason to bail out Wall Street is not sympathy for the masters of the universe who have lost their millions but an understanding of the inextricable links between Wall Street and the mainstream economy. In this terrible situation, what's good for Wall Street is good for America -- and that, after all, is the reason to commit the massive sums involved.

Democratic congressional leaders and the Bush administration are close to agreement on a bailout plan with reasonable provisions for accountability and protection of taxpayers' interests, principles on which both Mr. Obama and Mr. McCain agreed last night. Given the grass-roots uproar over the bailout, House Speaker Nancy Pelosi (D-Calif.) understandably wants cover from House Republicans before jumping off this cliff. But if that is not forthcoming, Ms. Pelosi and House Democrats must be willing to take the political heat and pass the package with Democratic votes. Politics must stop at the edge of a financial collapse.

Mansfield News Journal (Ohio), "Financial package needs to be passed"

There's plenty of blame to go around for the financial mess we find ourselves in. Unfortunately, there's plenty of pain to go around, too, and unless bold action is taken, that pain will be felt more harshly and in more places, from Wall Street to Main Street and points in between.

Congress should approve the Paulson/Bernanke plan to purchase troubled assets. However, it should not "sign a blank check" in its endorsement of the plan. While time is of the essence, as proponents say, Congress has an oversight responsibility -- the lack of exercising which contributed to this crisis -- and needs to ask questions, probe and ponder. At an estimated $700 billion price tag, some time must be spent trying to get it right.

Congress also would do well to ensure this bailout helps Main Street more than Wall Street. There is little sympathy anywhere for once high-flying Wall Streeters who have crashed, especially since their "products" helped get us where we are.

However, caring little for those on Wall Street who are responsible should not become glee, if only because the situation really does affect all of us even if the closest we've come to Wall Street is a picture in a sixth-grade textbook. A clogged financial system that has lost the confidence of the American people and the world will be costly to everyone.

Still, make no mistake. It's going to take time and be costly digging out from this even if the Congress passes the plan. This is a wake-up call for the nation.

A lot must be done. In a word, it's about responsibility.

The government must review what it has and hasn't done on its way to a renewed commitment to fulfill its duty as a protector of its citizens. We need not turn ourselves into a nanny state, but a strong, vigilant Uncle Sam is essential.

Businesses must understand they have a responsibility that goes beyond simple profit and loss. It would be a mistake to lump all businesses together -- there are many who are profitable and responsible. But too many have simply been guided by the next three months and making the numbers. Financial institutions, for example, have as much duty to educate customers about finances as they have a need to lend money.

And each of us has to understand that we have a duty, whether it's knowing what we're getting into when entering a contract and meeting the obligations, or that we cannot just "charge it up" indefinitely.

We are entering a new era. It will be costly, but in the long run it will pay off in lessons learned and responsibility taken.

Boston Herald, "A bailout first, reforms to follow"

Whatever the details turn out to be of the Treasury's purchase of toxic mortgage-backed securities - if that comes off this weekend as anticipated - some loose ends must still be tied up.

Those that don't make it into the current bill should go on a fast track in the next Congress.

It seems clear - that for political reasons - the bill will deal with executive salaries. There's a good case that all severance contracts should be cancelled before any sale of distressed securities to the government. After all, the figures that have provoked public outrage (such as the $157 million to former Merrill Lynch CEO Stanley O'Neal) have been astronomical sums paid to bosses who were kicked out as failures.

This should require that directors and executives agree - they are the parties to the relevant contracts. No cancellation, no sale to Uncle Sam. It would be a rare fool who now would saddle his company with lead balloons to keep his golden parachute.

And eventually Congress will have to reform the rules for such contracts and stock options too.

Any protection of distressed homeowners must go only to the deserving. This line will be hard to draw. Of course some unsophisticated first-time buyers were lured into contracts whose terms weren't disclosed, and were knocked for a loop when the variable interest rate went up. But smart people who bought homes as speculations, betting on perpetually rising prices for future profit, deserve no help.

Hedge funds, which by law are limited to wealthy investors, should get no special help. To keep them from shuffling their shaky paper off to some institution like a bank that could sell it to Treasury, eligible securities ought to have been on the books of the seller at some day safely in the past.

Mortgage-backed securities ought not to be banned, but new safeguards are needed. They might be allowed only for mortgages on properties occupied by an owner who has put up a substantial down payment. This would shrink the market substantially. Securities backed by packages of auto loans, student loans, credit-card loans and the like should be banned. Those loans are just too easy to walk away from.

Much of the current turmoil stems from outrageously optimistic evaluations of these securities by the private rating agencies. Their laxity cries out for real reforms that only Congress can decide on.

It’s unlikely that in the current crisis atmosphere - and in the heat of a presidential election - Congress will get under the hood of this financial mess to the extent it should. But in the calm, clear light of a post-election morning, more will have to be done.