Economic Crisis Impacts Main Street

Below are a few of today's editorials:
Washington Post, "America's Second Chance"
Dallas Morning News, "Why you should care about this bailout"
Boston Herald, "Yes, this crisis is real"
The Arkansas Leader, "Bailout plan must pass"
Delaware County Times (PA), "Financial bailout bill is right thing to do"

Washington Post, "America's Second Chance"

America is the land of second chances, so it is fitting that the House of Representatives should get an opportunity to redeem itself for its reckless rejection of the financial rescue package on Monday. Last night the Senate approved a revised version of the plan, not altering its fundamentals but perhaps providing enough political cover for House Republicans and Democrats to change their votes. Since 228 House members voted no on Monday, at least 12 must switch (lest Speaker Nancy Pelosi have to cast a deciding vote). We hope they will; in fact, in a responsible legislature, the vote would not be close.

The case for the plan, known formally as the Troubled Assets Relief Program (TARP), does not hinge on its perfection. As we have said, it is possible to imagine alternatives, some of which, such as a direct federal purchase of bank equity, might prove more effective at a lower cost to taxpayers. Or they might not. The point is that TARP is the only plan on the table that has both a reasonable chance of political success and a reasonable chance of economic success. Under the circumstances, which at the moment include a mounting worldwide financial collapse, we do not have time to run a legislative seminar on the theory and practice of financial rescue.

Furthermore, TARP, as modified by Congress after Treasury Secretary Henry M. Paulson Jr. initially unveiled it, is a plausible proposal. The Treasury would purchase currently unmarketable assets from the financial sector, clearing out the accumulated junk paper that is destroying confidence and the flow of credit. Though TARP seeks $700 billion in ultimate authority to buy assets, the likelihood is that the Treasury will pay less than that, because (a) its purchases might jump-start a private market and (b) the government might be able to resell securities for more than it paid. There would be significant oversight and an option for the government to take equity in the firms it aids.

Make no mistake: This rescue will probably cost the government, i.e., the taxpayers, money -- a lot of money. At least initially, the government will overpay for the assets it buys, if only in the sense that there is no market at all for them at present. The government will face politically difficult conflicts of interest. Its accumulation of mortgage-backed assets, on top of the de facto nationalization of Fannie Mae and Freddie Mac, means it will be in a position to modify many thousands of loans, but the better the deal Uncle Sam cuts distressed homeowners, the greater the hit to the taxpayer.

And, of course, the government will pay for TARP with borrowed money, adding to this country's already worrisome national debt. When you strip away all the rhetoric, pro and con, TARP amounts to a deliberate but as-yet-unquantifiable reduction in our future wealth -- for the sake of our present stability. It is an attempt to buy the whole country a second chance -- to buy time for banks, Congress and, yes, individual American households to make painful but overdue corrections. If that sounds like a bad deal, consider the fact that these hard choices are unavoidable, no matter what the House does today. And then ask yourself whether it would be better to make them in an atmosphere of relative order or amid the chaos that looms -- but which we can still at least try to prevent.

Dallas Morning News, "Why you should care about this bailout"

The proposed $700 billion bailout of the U.S. financial system is in trouble. In advance of the House's no vote earlier this week, constituent phone calls were running 100-to-1 against the plan. The House and the Senate are now working on a new version, but it's going to be hard to overcome voter hostility to whatever they come up with.

Why shouldn't voters be angry at elites in Congress and on Wall Street? Why should taxpayers have to cover for the foolish investments and risky deals financial fat cats made? Wall Street made its bed, the thinking goes, and now those executives should lie in it.

It's a compelling narrative.

But it's wrong. And dangerous.

If this were simply a matter of punishing wealthy financiers – the top-hatted Monopoly men of the popular imagination, who light their Cohibas with hundred-dollar bills – there might be some logic in the populist position. But it's not – and it's not even about punishing stock investors (whose number includes tens of millions of Americans who depend on pensions). In fact, the stock market tally is not the most important index of Main Street's economic health.

That would be the LIBOR gauge, which is the interest rate at which banks lend to each other. It has skyrocketed, which means simply that credit markets are freezing up. Banks are afraid to make loans to one another because they don't know which banks are solid – and which are built on quicksand.

Why should you care? Because an economy without credit is like a pond without water.

If credit isn't readily available, people can't borrow money to buy or build houses. Businesses can't take out loans to stock inventories. Ordinary people lose their jobs. Neighborhoods turn to slums. And so forth.

What is happening in the broader economy now is the equivalent of a massive hole punched in a pond levee. If we don't plug it up, we're all going to be left high and dry, gasping for breath – the big fish, for sure, but also the countless small fish, too.

There will be time to sort out who's to blame later. Right now, Congress has to act to stabilize the credit markets – and like it or not, that means giving Wall Street a temporary boost. The alternative really is worse.

It might not seem like it today, when everything on your street looks swell. Appearances are deceiving.

Boston Herald, "Yes, this crisis is real"

So now the fiscal meltdown has really hit home.

The unease of individuals who feared the impact of tightening credit, bank failures and an erratic stock market has been compounded by its immediate impact on the state's fiscal picture.

Oh sure, the warning signs had been all around us, but denial is a powerful thing too. Tax collections for September were off by some $200 million. Gov. Deval Patrick had already put some cost-cutting measures in place for agencies under his control.

Now Treasurer Tim Cahill has said his office was unable to raise $100 million in reserve cash this week needed to meet the state's bills in the coming weeks.

"There's no doubt Wall Street's problems have hit home," Cahill said.

So what do you suppose three of the Bay State's congressmen don't understand about that?

One of those opponents of Monday's failed bailout bill, Rep. William Delahunt (D-Quincy), told the Cape Cod Times, "It didn't address the victims of the greed. It was more focused on aiding the financial institutions and those who profited and benefited from them.

"The financial institutions should pay, and they don't want to do it," he added.

Hey, Congressman, does the phrase "blood from a stone" resonate?

Never has one bill generated so much meaningless, cover-your-butt rhetoric.

"There were compromises made in this [Monday's] version of the bill, ostensibly to gain bipartisan support," said Rep. John Tierney (D-Salem). "Unfortunately, such compromises were made at the expense of key priorities."

And among Tierney's priorities is making sure those who took out mortgages they knew they couldn't afford in the first place are protected.

At least Rep. Steven Lynch was candid when he said he was basically responding to his constitutents whose calls were running "50-50 - 50 percent 'no' and 50 percent 'hell no.' "

Of course, it's not as if any of them are in grave political danger at the moment.

Still it would be nice to think they might take a broader view - say about what is good for both the state and for the country right now when they vote again today.

Is that really too much to ask?

The Arkansas Leader, "Bailout plan must pass"

Congress this week confronts a dilemma none of us ever wants to face, a choice between two distasteful, unpopular and potentially ruinous courses. The House of Representatives on Monday took the riskiest and we believe the unwisest course when a majority defeated the Bush administration's $700 billion bailout of troubled banks. It will have another chance tomorrow, and all of us should pray that courage prevails.

It is worth noting that Arkansas' delegation in the House, a Republican and three Democrats, voted for the package and in a remarkable show of unity issued a joint statement. When has that ever happened?

No one can be even vaguely confident that the bailout will work — that is, that it will restore enough liquidity in the banking system to break up the thrombosis in the credit market. If it doesn't, we are headed for deep trouble indeed, all of us. Without credit, the American economy will grind to a standstill and so perhaps will the major economies of the world, which have absorbed part of our bad debts. We have had global recessions before, and two global depressions, and we do not want to go there.

So a vote for the bailout is a huge political risk for members of Congress who are running for re-election in five weeks. All of us, conservative and liberal alike, have a not wholly irrational horror of using our tax dollars to rescue men and institutions whose greed and carelessness put the country in such peril. The politically safer course is to vote no and hope that the disorder does not visibly worsen by Nov. 4, election day. Every member of Sen. John McCain's home-state delegation and nearly all from George W. Bush's Texas took the safer route and voted against their leaders.

For once we are convinced that we elect sturdier sorts in Arkansas. Their constituents are no happier about a financial bailout than Texans and Arizonans, although it doubtless helps that none of the four here has a serious race on his hands.

Whatever the chances are that the massive government purchase of bad debts will work, they are odds that any patriotic lawmaker ought to take. If the chances were only one in three that credit would be unlocked, it would be worth the risk. Who, after all, would thoughtfully choose the odds for a global depression?

Delaware County Times (PA), "Financial bailout bill is right thing to do"

In 1957, then-U.S. Sen. John F. Kennedy wrote a book called "Profiles in Courage." It was about the acts of integrity by eight politicians in the face of overwhelming opposition, and is regarded as a classic in literature today.

Profiles in courage are pretty rare these days, especially in Washington, D.C.

But 74 of the 100 members of the United States Senate showed some Wednesday night when they voted to approve the $700 billion financial industry bailout bill.

They took that vote in the face of widespread public disapproval of the measure, which is seen by many Americans as a sop to the greedy titans of Wall Street and people who signed onto mortgages they knew they couldn't afford.

Members of the Senate reported receiving thousands of phone calls on the measure, with most callers against it. A poll released Wednesday showed 45 percent of Americans opposing the bailout, with 38 percent in favor and 16 percent not sure.

But the stakes in this debate became starkly clear on Monday, when the U.S. House of Representatives dealt a similar package a death knell with a 228-205 defeat. By the time the markets closed that day, the Dow Jones industrials plunged almost 778 points - the worst single-day loss in the history of the nation.

In that one day of disaster, some economists estimated, Americans lost some $1.5 trillion in wealth. And it wasn't just chief executive officers that took that hit. With most workers saving for retirement in 401(K) plans these days, it was a blow to the financial futures of millions of ordinary wage earners.

That's why it was important to act.

While political considerations are never put aside in the Capitol, the Senate forged a measure that would put the economy back on the road to stability. It was loaded with perks, of course, to various interests to ensure the votes of wavering members. But overall, it was the correct thing to do.

Even the crucible of the presidential campaign, which played a big part in the House debacle, was set aside for one evening.

U.S. Sens. John McCain, R-Ariz., Barack Obama, D-Ill., and Joe Biden, D-Del., all voted in favor of the plan. That should defuse it as an issue in the remaining days of the race to the White House.

Now the rescue plan - as its supporters like to call it - will go back to the House, which should act on it by Friday. House leaders have to sell it to their members and ensure its passage.

The danger the nation faces is real, and it is imminent. Only approval may stave off further financial calamity.

Parting Shot

It would be remiss not to note the vote of U.S. Rep. Joe Sestak, D-7, of Edgmont, on the House bill Monday.

Despite phone calls and e-mails to his office running overwhelmingly against the bailout, the freshman congressman voted "yes."

"I had to let the chips fall as they might on this vote," he explained later. "This is one the nation needed, and my district."

Sestak's Republican opponent, W. Craig Williams, opposed the measure.

Sestak made the right call. He should be commended.