STATEMENT OF SENATOR BENJAMIN L. CARDIN ON THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008

October 1, 2008

Mr. CARDIN. Mr. President, we are here tonight to take emergency action to rescue our nation's economy. Before us is a compromise measure--the product of an intense process that Congress has entered into reluctantly. It is the result of negotiations between Democrats and Republicans, between House and Senate, and between Congress and the Administration. This evening, as we prepare to vote, Americans still have many questions as to how the bill's provisions will be implemented and what the eventual impact will be on our economy. We remain stunned that the greed of a few necessitates sacrifice from all of us. For these reasons, I understand the opposition of so many Americans to the news of this bill, one of whose goals is to restore stability to the markets. I've heard from many Marylanders who have expressed to me their anger, a sentiment that I share.

This vote is one of the most unpleasant I will have taken during my 22 years in Congress, and I come to the floor with anger and sadness, but also with determination to do what is right for this country.

This is not the bill that I would have written, but it represents our collective deliberations. Our economy is in dire straits, and our time is limited. Not because of a pre-determined adjournment date, but because markets across the world are looking to the United States hour-by-hour for action that will restore the world's confidence in our economy, and every day that we delay diminishes that confidence.

This crisis was created in large part by the Bush Administration's hands-off approach to financial institutions. Over the last eight years, we've seen unemployment rise, real wages and property values plummet, budget and trade deficits soar, and a burgeoning dependence on foreign capital and foreign energy.

At the start of 2001, we had projected surpluses of $5.6 trillion over the next decade. But in the last eight years, the Administration's economic policies have squandered those surpluses and produced annual deficits that now near $500 billion. But what was occurring out of the view of most Americans created the tipping point. Deregulation of Wall Street led to a new paradigm in which greed was rewarded. Financial institutions were incentivized to create complex financial shell games that enriched the few while hiding the true cost to this nation of too-easy credit and ill-advised mortgages. And so, today, the first day of Fiscal Year 2009, we are faced with a catastrophic economic situation--tightening credit, shrinking 401(k) plans and money market accounts, a wildly lurching stock market, a drastic restructuring of major American corporations, banks that will not lend to other banks, and the lowest levels of consumer confidence in our nation's history.

Nearly two years ago, I took the oath of office for the U.S. Senate. It reads in part, "I do solemnly swear that I will support and defend the Constitution of the United States against all enemies, foreign and domestic." Mr. President, in the closing days of this Administration, our enemy presents in the form of a severe crisis of confidence in the

American economy--one of the gravest that our nation has ever faced. No nation can continue to thrive without solid economic footing, and so it is imperative that we act in the best interest of the United States and do our best to resolve this crisis. This measure, crafted under the leadership of Majority Leader Reid, Senators Dodd and Gregg, and many others in this body, as well as our colleagues in the House, is the result of that effort. I believe it is an honest and responsible attempt to bring near-term stability to our situation.

If we do not act, we are jeopardizing far more than the future of the financial district. This is not about the balance sheets of a New York brokerage house or even a few national banks. Rather, it is about the balance sheet of every American family. If we do not act, we will endanger Americans' ability to secure an affordable car loan, mortgage, or college loan. We will jeopardize the retirement savings accounts of near-retirees who hope to leave the workforce in the next few years, and families trying to build a secure future for the years to come. More than fifty percent of families have an stake in the markets—either through mutual funds, 401(k) plans, TSPs for federal employees, or stocks.

If we do not act, we will place at risk our small and large businesses—access to loans is critical to their ability to survive and thrive, and if credit is unavailable, these businesses will be unable to make payroll, stock their shelves, or keep their doors open. With that in mind, many members, including myself, awaited the Administration's proposal, which they submitted to Congress on Saturday morning, September 20. In that three-page proposal, President Bush asked Congress and the American taxpayers to follow him into uncharted territory and restructure our entire financial system. The Treasury Department proposal asked Congress for unprecedented authority to spend $700 billion over the next two years to purchase distressed mortgage-related assets to provide stability to financial markets and our banking system. The proposal sought authority, "without limitation," to enter into contracts, to designate financial institutions as financial agents of the government, and to establish "vehicles" for purchasing mortgage-related assets and issuing obligations, among other things. Further, the proposal stipulated that any actions the Secretary takes "may not be reviewed by any court of law or any administrative agency."

Brevity may indeed be the soul of wit, as Shakespeare wrote in *Hamlet*. But it shouldn't be the "soul" of a legislative proposal – or the *sole* legislative proposal – to shore up a badly faltering economy.

According to the Administration, the role for Congress – a co-equal branch of government – was to authorize the enterprise and then wait for semi-annual status reports from the Treasury Department. We were also told to pass it right away, without amendment, because each day we delayed, the markets would continue to crumble.

The administration wanted a bill to bail out Wall Street; Congress is poised to pass a bipartisan bill that will protect the American economy, begin to reform financial practices, and require the strong oversight that has been so lacking during this Administration.

It is our duty to protect the taxpayer, ensure transparency and accountability in our financial systems, and to make improvements in their interactions with American taxpayers and the federal government.

This bill will provide up to $700 billion to the Secretary of the Treasury to buy mortgages and other assets that are crippling financial institutions across the nation. EESA also establishes a program that would allow companies to insure their troubled assets.

EESA requires the Treasury to modify troubled loans – many the result of predatory lending practices – wherever possible to help American families keep their homes. It also directs other federal agencies to modify loans that they own or control. Finally, it improves the *HOPE for Homeowners* program by expanding eligibility and increasing the tools available to the Department of Housing and Urban Development to help more families keep their homes. I am pleased that this evening Chairman Dodd and I were able to clarify the authority for Treasury to purchase Low Income Housing Tax Credits under this legislation. This authority will allow Treasury to keep liquidity in the market for these critical tax credits and thus provide for the continued development of affordable housing nationwide, at little or no additional cost to taxpayers. However, I am disappointed that in negotiations, the President rejected our efforts to provide more extensive help for homeowners through the bankruptcy courts. With default rates and foreclosures at the highest levels in our history, I look forward to the next Congress during which we must do more to protect Americans' homes.

This bill also requires companies whose assets are purchased by the government to provide warrants so that taxpayers will benefit from any future growth these companies may experience as a result of participation in this program. The legislation also requires the President to submit legislation that would cover taxpayer losses resulting from this program by charging a broad-based fee on all financial institutions. I am disappointed that requirement for the financial institutions responsible for these losses to pay was not included in this legislation.

This bill does include provisions to limit executive compensation. Executives who made catastrophic decisions should not be allowed to unload their toxic assets on working American families and still make high salaries and bonuses. Under this bill, some companies will lose certain tax benefits for salaries in excess of $500,000 and their bonuses and so called “golden parachutes” will be prohibited for their top five executives. The bill also requires recovery of bonuses that are paid based on statements of earnings and gains that are later proven to be “materially inaccurate.”

Rather than giving the Treasury all the funds at once, as the original Bush plan stipulated, this legislation gives the Treasury the authority to spend $250 billion immediately, and requires the President to certify that additional funds are needed--$100 billion, then $350 billion subject to Congressional disapproval. The Treasury must report on the use of the funds and the progress made in addressing the crisis.

I joined Finance Committee Chairman Baucus' push for the creation of a Special Inspector General to oversee this effort. The magnitude of both this bill's price tag and the task assigned to the Treasury Department are such that rigorous, independent efforts are necessary to prevent waste, fraud and abuse. This provision is a necessary element of the bill, and it will lead to a better, more responsibly-executed program.

Over the past week, as anxiety about our economy has heightened and banks have collapsed, Americans have begun to openly consider the so-called "Serta Option" for hiding their cash. That's why I am supportive of the provision added this week to increase temporarily the FDIC limits from $100,000 to $250,000. It is more important than ever, during these times of uncertainty, to instill confidence in every American who has a savings account that their hard-earned deposits are secure.

Mr. President, as I said at the outset, Americans are angry that we are in this position. The vast majority of Americans acknowledge that something must be done. They want action from this Congress, and by last Tuesday morning, after the largest one-day point drop ever in the Dow Jones average, most recognized that our inaction is not an option.

I will vote for this bill, and I urge my colleagues to join me in answering the call for urgent action. In three short months, the 111th Congress will convene. I will continue to push for the types of reassurances that America's communities are looking for, not just those that our financial markets seek. This is a time of crisis for our country, but it is also a time of opportunity. An opportunity to ensure that we never again leave our nation's families vulnerable to economic meltdown while corporate executives walk away with millions of dollars. An opportunity to protect working Americans' investments in their homes and communities. An opportunity to ensure that small businesses can access the credit they need to prosper and expand. I ask my colleagues to join me tonight in this vote, and in January, when we take on the longer and even more challenging task of getting our country back on track.