

Say NO to Taxpayer Rescue of Wall Street

By Amanda Teegarden

Opinion

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The U.S. Congress, the Treasury Secretary, and the Federal Reserve, have decided they are the "last best hope" for saving the American economy and are contemplating a historical (hysterical) piece of legislation to fix the problem.

According to recent AP accounts, the bill started out 3 pages long, progressed to 42 pages by mid-week, grew to 102 pages, and is now (Monday) 109 pages long. Amazing.

Called the "*Emergency Economic Stabilization Act of 2008*" (last week it was the "*Economic Recovery and Accountability Act of 2008*"), the legislation appears as an amendment to already active bill H.R. 3997.

Today, the US House defeated this bill, by a vote of 228 to 205, with 1 not voting. Could it be that Congress has listened to the taxpayers and said NO to something so obviously wrong?

Wait – the legislators go back to Washington on Thursday to work out a compromise.

The vote should *still* be a resounding NO!

A brief examination of the H.R. 3997 amendment found these serious concerns::

The proposed legislation, *if passed as written*, gives:

- The Treasury Secretary "unlimited" rights
- Creates another federal unelected authority
- "Federalizes" financial institutions by designating them as financial agents of the Federal Government
- Allows the Secretary "Coordination With Foreign Authorities And Central Banks"
- Prohibits public disclosure of the contents of reports if they are in conflict with "the interests of national defense or national security or in the conduct of foreign affairs" (this could mean anything)

Excerpts from the 109-page amendment to H.R. 3997, called the "*Emergency Economic Stabilization Act of 2008*" (aka Treasury bailout plan for Wall Street.).

Purpose (pp.2-3)

(1) To immediately provide authority and facilities that the Secretary of the Treasury can use to restore liquidity and stability to the financial system of the United States

Definitions (pp.3-4):

(1) The term “appropriate committees of Congress” means—

(A) the Committee on Banking, Housing, and Urban Affairs, the Committee on Finance, and the Committee on the Budget, and the Committee on Appropriations of the Senate; and

(B) the Committee on Financial Services, the Committee on Ways and Means, and the Committee on the Appropriations of the House of Representatives.

(2) **BOARD**.—the term “Board” means the Board of Governors of the Federal Reserve System.

(3) **CONGRESSIONAL SUPPORT AGENCIES**.—the term “congressional support agencies” means the Congressional Budget Office and the Joint Committee on Taxation.

[(4) **FINANCIAL INSTITUTION**.—the term “financial institution” means any institution, including any bank, savings association, credit union, security broker or dealer, or insurance company, organized and regulated under the laws of the United States or any State, territory, or possession of the United States, the District of Columbia, Commonwealth of Puerto Rico, Commonwealth of Northern Marianas Islands, Guam, American Samoa, or the United States Virgin Islands, and having significant operations in the United States, but excluding any central bank of, or institution owned by, a foreign government.]

(7) **SECRETARY**.—the term “Secretary” means the Secretary of the Treasury.

(8) **TARP** – the term “TARP” means the Troubled Asset Relief Program established under section 101.

(9) **TROUBLED ASSETS**.—The term “troubled assets” means (A) residential or commercial mortgages and any securities, obligations, or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, the purchase of which the Secretary determines promotes financial market stability; and, (B) any other financial instrument that the Secretary, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability....

Authority, pp.6 - 8

(1) **AUTHORITY**.—The Secretary is authorized to establish the Troubled Assets Relief Program (or TARP) to purchase, and to make and fund commitments to purchase, troubled assets from any financial institution, on such terms and conditions as are determined by the Secretary, and in accordance with this Act and the policies and procedures developed and published by the Secretary.

(3) **ESTABLISHMENT OF TREASURY OFFICE**...

(c) **NECESSARY ACTIONS.**—The Secretary is authorized to take such actions as the Secretary deems necessary to carry out the authorities in this Act, including, without limitation, the following:

(1) The Secretary shall have direct hiring authority with respect to the appointment of employees to administer this Act.

(2) Entering into contracts, including contracts for services authorized by section 3109 of title 5, United States Code.

(3) Designating financial institutions as financial agents of the Federal Government and such institutions shall perform all such reasonable duties related to this Act as financial agents of the Federal Government as may be required.

Foreign Coordination, p. 32

SEC. 112. COORDINATION WITH FOREIGN AUTHORITIES AND CENTRAL BANKS.

The Secretary shall coordinate, as appropriate, with **foreign financial authorities and central banks** to work toward **the establishment of similar programs** by such authorities and central banks. To the extent in which foreign financial authorities or banks hold troubled assets as a result of extending financing to financial institutions that have failed or defaulted on such financing, such troubled assets qualify for purchase under section 101

Reports, p. 66

REPORTS.—(f) Not later than 60 days after the confirmation of the Special Inspector General, and every calendar quarter thereafter, the Special Inspector General shall submit to the appropriate committees of Congress a report summarizing the activities of the Special Inspector General during the 120-day period ending on the date of such report.....

(2) Nothing in this subsection shall be construed to authorize the public disclosure of information that is—

(A) specifically prohibited from disclosure by any other provision of law;

(B) specifically required by Executive order to be protected from disclosure in the interest of national defense or national security or in the conduct of foreign affairs; or

(C) a part of an ongoing criminal investigation.

This is too much power for the Treasury Secretary, too much foreign entanglement, and beyond the restrictions of the US Constitution. Say NO to bailout, in any version.

Amanda Teegarden

Endnotes

Background:

Excerpt from the Prepared Testimony of Subcommittee Chairman Lauch Faircloth (R-NC), Hearing on S. 1315 - "The U.S. Markets Security Act of 1997." November 5, 1997 (courtesy of Vicky Davis)

Excerpt from above testimony:

"Over the last several years, China, and companies connected to the government have been quietly gaining a greater presence in our markets.

Our witnesses today will tell us that China and related companies have issued nearly \$7 billion in bonds in the U.S. in the past decade. In addition, there are currently 17 Chinese companies listed on the New York Stock Exchange. I am also told that as China begins so called "privatization" -- as many as 350 companies a year may seek financing in our securities markets during the coming decade....like the Chinese International Trust and Investment Corporation have close connections to the Chinese Army. They have issued \$800 million in dollar denominated bonds over the past few years. Their bonds have been underwritten by major U.S. firms, like Goldman Sachs."

Links:

1)1997 Senate Testimony:

http://banking.senate.gov/97_11hr/110597/members/faircloth.htm (courtesy of Vicky Davis)

2)"Emergency Economic Stabilization Act of 2008"

http://banking.senate.gov/public/_files/AMEND_001_xml.pdf

3)"Economic Recovery and Corporate Accountability Act of 2008" by Chairman Chris Dodd

http://banking.senate.gov/public/_files/LegislativeTextofChairmansDoddsproposalfortheTreasuryBailoutplanAYO08B68_xml.pdf

4)US Senate Committee on Banking, Housing, and Urban Affairs

http://banking.senate.gov/public/index.cfm?Fuseaction=Articles.Detail&Article_id=4d84ffcc-c299-4081-b76a-da2c4fe3a1b7