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ECONOMY & BUDGET

September 18, 2009, 11:41 am

Preventing a Social Security benefit cut (Sen. Bernie Sanders)

By Sen. Bernie Sanders (I-Vt.)

Unless Congress acts soon, for the first time since 1975 senior citizens will not be receiving a cost-of-living adjustment in their Social Security benefits in the coming year. This would mean that monthly Social Security payments would drop for millions of retirees because Medicare prescription drug premiums, which are deducted from Social Security payments, are scheduled to increase. We cannot allow that to happen.

A failure to provide a Social Security COLA in 2010 for seniors could not come at a worse time. As a result of the most severe economic crisis since the Great Depression, our nation's seniors are experiencing a decline in their living standards. Many have seen their savings disappear, their pension funds in severe decline, the value of their homes dramatically diminished – all while poverty among seniors has gone up, as has the number of seniors declaring bankruptcy. At the same time, the costs of prescription drugs and health care continue to increase. Seniors deserve a fair increase in benefits to keep up with these added costs and economic hardships.

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COMMENT(1) EMAIL PRINT SHARE

September 17, 2009, 12:09 pm

We must improve TARP transparency (Rep. Joe Sestak)

By Rep. Joe Sestak (D-Pa.)

With the release of a key oversight report on government assistance to the auto industry, it is clear that we need immediate action on the document's recommendations to improve transparency and accountability. I have written to U.S. Treasury Secretary Timothy Geithner to continue my persistent efforts, dating back to the previous administration, to see that the Department not only use taxpayer money responsibly, but also earn the faith of the taxpayers themselves.

As I reviewed the report, it became clear that we still are not seeing full transparency and accountability in the use of Troubled Asset Relief Program (TARP) funds in the support and reorganization of the domestic automotive industry. In my letter to Secretary Geithner, I expressed my concerns for the

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COMMENT(3) EMAIL PRINT SHARE

September 15, 2009, 3:25 pm

The Big Question, Sept. 15: A year after the financial crisis started, have the bailouts proved to be worth it?

By Tony Romm

Mark Calabria, director of Financial Regulation Studies at the Cato Institute, said:

> Much has been spent, both in terms of dollars and trust, on the financial bailouts, with little gained.
>
> The defenders of the bailouts claimed that "we would not have an economy on Monday," had not the TARP passed and Bear, AIG, Fannie and Freddie not received billions in taxpayer support.
>
> But what exactly have we saved? Easy money, among other factors, drove a bubble in housing and consumption, especially in autos. This bubble was going to burst and employment related to it was going to decline, whether we bailed out AIG and Bear or not. Geithner and Bernanke have yet to examine exactly how many jobs were saved by bailing out AIG for instance. We know from Fed Vice Chair Don Kohn that none of AIG's counterparties would have failed were they to suffer losses – so there was no contagion to be stopped.
>
> What drove the bailouts was fear and panic on the part of our regulators and politicians. Instead of bringing comfort to the markets, their actions showed additional panic. When a President, as did Bush, goes on TV to tell the American public a bill must pass or our economy is doomed, anyone who wasn't in panic before is sure to be now.
>
> The real long term costs of the bailouts will be to reduce market discipline on the part of creditors. Both Paulson and Geithner's policies of making all debtholders whole greatly undermines the ability of capital markets to monitor the behavior of banks. We now are left relying solely on the same regulators who missed the last crisis to catch the next one.
>
> Perhaps the biggest casualty of the bailouts is public's trust in both government and markets. The lack of transparency and explanation surrounding the bailouts has left the public all the more distrustful of leaders in Washington and Wall Street.

Anna Burger, Secretary-Treasurer of Service Employees International Union (SEIU), said:

> When Lehman Brothers fell, they took not just the rest of Wall Street, but all of Main Street, down with them. Yet, one year later, the greedy CEOs who caused the collapse are unremorseful, unrepentant, and virtually unchanged.
>
> You'd think that the collapse of over 90 banks in one year alone would be a powerful 'lesson learned' for the titans at big financial houses, but on Wall Street, it's back to 'business as usual.'
>
> Taxpayers who bailed out banks to the tune of $4.7 trillion were then hit with the hidden costs of our bank-induced recession: foreclosures, unemployment and bankruptcies. Now the big banks are hitting us a third time, by lobbying against meaningful reforms that could prevent a repeat of the crisis in the future.
>
> To strengthen the economy over the long-term, we need fiscal reforms that provide real protections for consumers, whistleblower protections so front-line financial workers can speak up and stop predatory practices before they

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lead to large-scale economic crisis, and legislation like the Employee Free Choice Act to provide a much-needed check on corporate greed. The stakes are too high to keep the status quo.

Robert Weissman, president of Public Citizen, said:

The Special Inspector General for the Troubled Assets Relief Program (SIGTARP) estimates that more than $23 trillion dollars in public money is potentially on the line in the various Wall Street bailout programs -- an amount in real terms more than four times larger than the cost of World War II. This massive government intervention, along with the stimulus, helped avert a Depression.

But that's not to say that what is more commonly called the "bailout" -- the expenditures under the TARP -- were worth it, or, more importantly, appropriately carried out.

Here are five avoidable problems with TARP implementation:

1. The government did not and has not required reciprocity from the bailed-out firms. Apart from insignificant standards in the important area of executive compensation, the government has not demanded changed behavior from the firms it has saved from ruin. Not an end to risky speculation, not mortgage modifications, not even an end to credit card ripoffs.

2. Of the $700 billion in TARP bailout monies, only $50 billion went to mortgage modifications. So the banks that caused the problems get all the money. Borrowers, who are the victims, have received scant help. And the idea of altering principal on outstanding loans -- an absolute necessity when one in three mortgage borrowers is under water -- remains off the table. So does the idea of giving borrowers a right to rent if they cannot pay their mortgage. As a result, the foreclosure crisis continues unabated; Goldman Sachs estimates there will be a staggering 13 million foreclosures by 2014.

3. The AIG bailout served as a backdoor bailout of the giant firms on Wall Street, led by Goldman Sachs, and overseas (where AIG sent half of its credit default payments, after being bailed out). These firms, unjustifiably, escaped even a hair cut.

4. Citigroup should have been taken over by the government rather than gifted with an array of special protections, including a guarantee of up to $290 billion on its bad assets.

5. The bailout has facilitated still further concentration of the banking sector, and greater combination of commercial banking and investment bank operations in single corporate entities. Thus have two of the root causes of the financial crisis -- the too-big-to-fail problem, and the problems stemming from repeal of Glass-Steagall -- been made worse.

The bailout should not be separated from the debate over financial regulatory reform. A reckless financial industry self-immolated and devastated the national economy. The industry, along with the rest of us, was saved from a much worse catastrophe than we experienced only through unprecedented government intervention in the economy. Now that same reckless industry leverages its political power to contest even the modest reform measures being considered in Congress. One of the great political failures surrounding the bailout is that, rather than being forced to express shame and apologize, these institutions continue to dominate the policymaking debate.

Dean Baker, co-director of the Center for Economic Policy Research, said:

The question of bailout/no bailout was always misleading. That was not the choice facing the country. We had to take steps to keep the financial system from collapsing. But, we could have imposed strict conditions on the firms who we gave the money. First and foremost, this would have meant requiring

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> some haircuts for the bondholders and imposing real (as in not Keystone Cop) restrictions on executive pay.
>
> Note, it is not interference in the market to impose restrictions on executive pay as a condition of a bailout. We could have let Goldman, Citigroup and the rest go under if their executives found that being limited to paychecks (including bonuses, stock options etc.) of $1-$2 million was too onerous. These executives could then deal with the lawsuits from shareholders and creditors. As it was, we essentially just handed the banks bucket loads of taxpayer money, no questions asked. That is interference in the market in a really big way.
>
> The fact is that we could have rescued the financial system without further enriching the people who wrecked the economy. But, the folks who designed the bailouts were at least as concerned about Wall Street as they were about the financial system.

Herb London, president of the Hudson Institute, said:

> It is apparent that bailouts have a marginal effect if any at all.Take the so called Stimulus Package as an example. It was argued that this money would create or retain 3 million jobs. However unemployment has gone from 7.2 to 9.7 without the slightest apology or recognition from the administration. In a significant sense this legislation tells the story of bailouts.

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September 14, 2009, 10:26 am

D.C. spending is hammering the dollar (Rep. Ed Royce)

By Rep. Ed Royce (R-Calif.)

A new report from an organization called the U.N. Conference on Trade and Development (UNCTAD) calls for the dollar to be ditched and replaced with a new global reserve currency. Why is it that the U.N. always concludes that central is better? This discussion, of course, has been prodded by our country's financial crisis and drunken sailor-like spending.

It's not just the U.N. The dollar's standing as the world's reserve currency has been under broad attack. Partly out of nationalist resentment, the dollar has been slapped by the likes of China, Russia, India and Brazil, with calls for its replacement. Now the U.N. has joined those looking to seat the greenback in the cheap seats, for good. An author of the report - released earlier this week - noted that, "Replacing the dollar with an artificial currency would solve some of the problems related to the potential of countries running large deficits and would help stability." Readers should give thought to the un-workability of coordinating so many different political and economic systems. Never mind further empowering an international financial institution. No thanks.

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September 11, 2009, 5:34 pm

What Yesterday’s Poverty and Income Numbers Don’t Tell Us About Economic Hardship

By Shawn Fremstad, Director of Bridging the Gaps at the Center for Economic and Policy Research

Yesterday’s Census Bureau report on trends in income and poverty is bleak reading. In addition to historic income declines for middle income families (the largest in the 60 years on record), the number of Americans whose incomes

dropped below the official poverty line increased by 2.5 million, from 37.3 million to 39.8 million.

The poverty numbers tells us that things got worse last year—something, of course, we already knew—but they don't give us an accurate picture of how many people are really struggling to make ends meet, or experiencing concrete forms of material deprivation, like having too little to eat, or not being able to pay their mortgage or utility bill.

There's little disagreement here in Washington on this point. Liberals and some conservatives like Ron Haskins of the Brookings Institution argue that the official poverty measure fails to include both important benefits like food stamps and major expenses like child care, and doesn't adjust for differences in geographic housing costs. Legislation introduced by Rep. Jim McDermott and Sen. Chris Dodd—H.R. 2909—would revise the poverty measure to address these issues.

Conservatives like Robert Rector of the Heritage Foundation argue that the current poverty measure and measures that would set slightly higher standard? like McDermott/Dodd fail to measure "real poverty," which they equate with extreme material deprivation. They point to data showing that many people living below poverty line have air conditioning and VCRs to make their case that even the current poverty measure is set too high.

The best way to produce an accurate assessment of economic hardship is to move beyond the outdated idea that we can accurately measure by using a simple income line, even one that, like McDermott/Dodd, takes expenses and in-kind benefits into account. Instead we should measure "real poverty" instead of income poverty using a metric that counts someone as poor if they had both low income during the year and experienced a certain level of material hardship.

There is a ready model for this approach. A few years ago the U.K. government adopted a new approach to poverty measurement that takes both low-income and specific material hardships into account. They now use it to measure progress toward their goal of eliminating child poverty by 2020.

This kind of measure would still include an income line, but it should be set at roughly twice the current federal poverty line, or about $44,000 in 2008. Why the higher amount? Public opinion surveys have consistently found that most Americans think this is the amount needed to "get along" or "make ends meet" at a basic level. And, most Americans who suffer from specific forms of material hardship have incomes that fall above the official poverty line, but below 200 percent of it. Finally, the higher income line would ensure that groups who have to spend more to meet basic needs are counted. In particular, people with disabilities, who, even when their incomes are between 100-200 percent of the poverty line, are as likely to experience material deprivation as people without disabilities living below the poverty line.

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COMMENT(5) EMAIL PRINT SHARE

September 11, 2009, 9:41 am

Let's protect small businesses (Rep. Joe Sesak)

By Rep. Joe Sestak (D-Pa.)

The 7th Congressional District, which I represent, lost more than 760 small businesses between 2001 and 2006, including more than 22% of the manufacturing industry. At the same time, health care premiums have increased faster for small businesses than their more established competitors while much needed credit has been shut off in frozen financial markets.

As Vice Chairman of the House Small Business Committee, I have made supporting small businesses one of my top priorities. Just yesterday I introduced

the Small Business Lending Promotion Act, which expands a small business-lending program for women, minority and veteran entrepreneurs that currently faces caps on the volume and value of its loans. I have also made addressing the rising cost of health care for small businesses a priority.

Currently, small businesses face a hidden tax on health care, paying 18% more for health insurance than large employers, because they cannot effectively negotiate with large insurance companies. They are seeing their premiums skyrocket by nearly 10% a year on average and face a more volatile market due to their small size. As a result, fewer and fewer small businesses are offering health insurance. That is why, before marking up the Health Care bill in the Education and Labor Committee, I joined a bipartisan group of Representatives in calling for a health care reform bill that would lower costs for small businesses and millions of Americans they employ.

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September 9, 2009, 2:18 pm

A path to repairing the U.S. mortgage market

By National Housing Conference President Conrad Egan

Today, an industry-wide task force commissioned by the National Housing Conference (NHC) released a new policy statement on the "Ten Key Principles" for repairing the U.S. mortgage market and addressing soaring home foreclosures.

The taskforce, which was created to assess the dire condition of housing finance, as well as its potential, developed the principles to urge the federal government to look to the policies that will help to maintain its critical role in the housing finance system. In short, the principles provide recommendations that will affect consumers, banks, and the secondary financing markets, and they address the neglected importance of affordable rental housing to tens of millions of families, including those who are losing their homes to foreclosure.
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September 9, 2009, 12:39 pm

Social Security is Broke

By Rep. Michele Bachmann (R-Minn.)

While we debate the pros and cons of a trillion-dollar-plus health care overhaul here in the House, it's important to come to terms with the rising financial commitment already facing our nation and future generations.

For instance, according to a report just released by the non-partisan Congressional Budget Office (CBO), Social Security is broke.

The CBO now projects that Social Security's costs will exceed tax income in 2010 (next year!) and 2011, with cash surpluses returning over the 2012-2015 period and becoming negative again beginning in 2016 and later. In their March 2009 estimates, the CBO projected that the cash surplus would be positive through 2016. Keep in mind that these projections are based on what many economists of all stripes believe are far-too-rosy White House budget numbers. It's a very real possibility that a positive cash surplus may not occur at all.

What's worse is what the CBO report reveals about our nation's long-term budget outlook:

> **"Over the long term (beyond the 10-year baseline projection period), the budget remains on an unsustainable path. Unless changes are made to current policies, the nation will face a growing**

demand for budgetary resources caused by rising health care costs and the aging of the population. Continued large deficits and the resulting increases in federal debt over time would reduce long-term economic growth by lowering national saving and investment relative to what would otherwise occur, causing productivity and wage growth to gradually slow.

"Last year, outlays for Social Security, Medicare, and Medicaid combined accounted for about 9 percent of GDP. Outstripping the growth of GDP, spending for those programs is expected to rise rapidly over the next 10 years, totaling nearly 12 percent of GDP by 2019. Under long term projections recently published by CBO, such spending would continue to rise under current laws and policies and could total 17 percent of GDP by 2035.

"If outlays for those programs reached that level, federal spending would be well above its historical percentage of GDP. Unless revenues were increased correspondingly, annual deficits would climb and federal debt would grow significantly, posing a threat to the economy. Alternatively, if taxes were raised to finance the rising spending, tax rates would have to reach levels never seen in the United States. Some combination of significant changes in benefit programs and other spending and tax policies will be necessary in order to attain long-term fiscal balance."

These are very real numbers we're talking about, and it's about time Washington account for its finances rather than pushing them off to our children and grandchildren through continued borrowing and higher taxes.

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August 21, 2009, 8:09 am

Putting numbers in perspective (Rep. Michele Bachmann)

By Minn. GOP Rep. Michele Bachmann

When we start talking about millions, billions, and even trillions of dollars, it's difficult to comprehend what these numbers actually mean. Congressman Jo Bonner has put together this great graphic to get you thinking in simpler terms about how much money your government is really spending.

Our nation's debt, which is the money owed by our government, currently sits at the highest it's been in our nation's history, at $11.7 trillion. Couple that with our rising deficit which has well exceeded $1 trillion (another record) and is on its way to $2 trillion fast, and our debt becomes a far less attractive purchase to other nations. That could force the U.S. to pay higher interest rates in order to sell our debt abroad. We will soon be confronted with the growing threat of higher interest rates, rising inflation, and a weakened dollar – all dismal economic scenarios.

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August 10, 2009, 9:47 am

Sobriety needed on economy and policy direction

By Small Business and Entrepreneurship Council Chief Economist Raymond Keating

Some in political, media and economic circles seem to verge on euphoric regarding the July 2009 jobs numbers released by the Bureau of Labor Statistics on Friday

(August 7). Perhaps we need a little dose of sobriety.

The best that can be said about the July jobs report is that it was less bad than in recent months.

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