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Lawmakers Condemn ATK Plant Closure While the defense space boasts less cyclicality, deal pros realize that comes at a price. Alliant Techsystems (ATK), following its acquisition of Eagle Industries in the last week of March, is paying that price as it deals with legislators unhappy about the company's actions following the purchase.

In the deal, Alliant paid an estimated $100 million for the Fenton, Missouri-company, a maker of tactical accessories for the military, law enforcement and recreational markets.

In the last week of May, Alliant said it would close a New Bedford, Mass.-based textile plant, moving the manufacturing to an existing facility in Puerto Rico. US Senators Ted Kennedy and John Kerry, and Representative Barney Frank responded with a letter calling for the US Army to "insist" that any contract extension be contingent on the New Bedford plant staying open.

The letter suggested that Alliant was motivated to close the facility after attempts to organize the plant's workforce. Moreover, the letter questioned the possible risk of reducing "the domestic apparel industrial base" that serves military personnel. The legislators also played up the populism angle, saying the acquisition and subsequent closure was done solely to help Alliant "obtain higher profit margins out of an existing contract."

"We can be justifiably indignant and even surprised when a company assumes it can take taxpayer money, devastate the lives of hundreds in a community, create uncertainty with regard to its ability to deliver on a contract needed to support our troops and simply assume that future federal contract revenue will continue unabated and without examination for the foreseeable future," the lawmakers wrote.

A spokesperson for Alliant wouldn't comment specifically about the letter, but did say that the decision to close the New Bedford facility was based on the facility being "underutilized and operating well below capacity." The spokesperson added Alliant's goal for Eagle is to "build a long-term and sustainable business," and she envisioned adding new jobs as part of that effort.

The New Bedford plant, which is contracted with the Army to produce "modular lightweight load carrying equipment," has roughly 350 employees. The plant was scheduled to be closed on July 31.

The New Bedford plant in question was only recently acquired by Eagle Industries. According to an AP report, the company bought the facility from Michael Bianco Inc. following a 2007 US Customs raid of the plant that netted 361 undocumented workers.

Harping on Tarp For those who might've felt imposed upon by the government's intervention efforts, they have an ally in Ohio Republican Congressman Michael Turner. In the last week of June, Turner introduced legislation calling for a constitutional amendment that would prohibit the government from buying stock or equity in corporations.

Turner released a statement noting that eight states currently have constitutional prohibitions that block government investments in private businesses, listing Arkansas, Colorado, Montana, Nebraska, Oregon, Utah, Washington and West Virginia. His goal is take this national.

"Eight months after the passage of Troubled Asset Relief Program funding, the federal government continues to reach beyond the original intent of lawmakers, including taking ownership of one of America's largest auto manufacturers, General Motors," Turner said.

He added that the government's "failure to present an exit strategy," motivated his decision to draft the legislation, titled Preserving Capitalism in America.

Such an amendment, while unlikely to gain enough traction, would have considerable consequences. In addition to bailouts involving the banks and Chrysler and General Motors, such legislation would likely impact the structure and ability to execute public/private partnerships. Moreover, the government also owns other assets, in addition to those assumed in recent months. Amtrak, for instance, is a government-owned corporation. Even the United States Postal Service is technically considered to be a corporation following the Postal Reorganization Act of 1970.

Turner, whose father spent 42 years as a union employee at General Motors, added that an amendment would "guarantee that the government could not gain control of private enterprise and place our capitalist system at risk."

BofA Mess Jeopardizes Fed's Oversight Role Growing uncertainty about Federal Reserve Chairman Ben Bernanke's role in pushing Bank of America to go through with its deal to buy Merrill Lynch is likely to delay regulatory restructuring plans and give ammunition to those seeking to prevent the central bank from receiving more power.

The White House has said it hopes to finalize by year-end a regulatory revamp that would give the Fed sweeping new powers over the country's largest firms.

But lawmakers from both parties said they were unwilling to give the Fed more authority until questions over Bernanke's role in the Bank of America-Merrill deal were answered.

"Let me just be quite clear, there's something rotten in the cotton here," said House Oversight and Government Reform Committee Chairman Edolphus Towns after a hearing with Bernanke on the subject. "We just need to know the role that all these people were supposed to play. Why didn't they perform? This is what we need to know before we talk about changing and rearranging in terms of regulations."

The hearing was supposed to focus on why the government had to chip in $20 billion to help BofA complete the deal. Kenneth Lewis, BofA's chief executive, told the New York attorney general that he wanted to back out of the deal, but Bernanke and then-Treasury Secretary Henry Paulson threatened to fire him and his board.

But after Republicans on the committee leaked e-mails that suggested the Fed ignored concerns from some regulators and left others in the dark entirely, the hearing turned to the broader question of whether handing the central bank more power would be wise. "What is at the heart of the matter is the Fed's role as a systemic regulator," said Rep. Jeff Fortenberry, R-Neb.

How the issue will play out in the House Financial Services Committee, which has jurisdiction over regulatory reform, is unclear. While Chairman Barney Frank may win enough support to pass a bill giving the Fed systemic risk powers, it is looking like an increasingly difficult fight.

Arguably the biggest threat for the Fed are e-mails that suggest the central bank purposely left the Office of the Comptroller of the Currency and the Securities and Exchange Commission in the dark as it deliberated over how to ensure the deal would be completed.

The Obama administration's plan calls on the Fed to work with other regulators in a council to oversee systemic risks. Lawmakers may be less inclined to go along if the Fed purposely hid information from fellow regulators.

Despite an internal Fed e-mail that cautioned against discussing a conversation between Lewis and Paulson while an OCC official was on a conference call, Bernanke insisted that Comptroller of the Currency John Dugan was kept informed. "I don't know precisely what motivated" the e-mail, Bernanke said. "All I can say is that on Dec. 21, we had two conference calls which I participated in and which John Dugan participated in and we provided him with all the information that I was aware of at that time."

The Fed chief said it was less important to keep the SEC informed because, unlike the OCC, the agency does not directly supervise BofA. "This was a bank and therefore the most pressing communication was with bank regulators," he said.

Mark Calabria, the director of financial regulation studies at the Cato Institute and a former aide to Sen. Richard Shelby, said the sense that the Fed does not cooperate with other regulators damages the case that the central bank should have wide-ranging systemic authority.

"This 'we're the Fed: we don't play well with others' sort of attitude ... undermines the push toward making the Fed the end-all, be-all," he said. "I don't see how any of this paints them the least bit flattering."

Bernanke's testimony came two weeks after Lewis appeared before the panel, and Towns made clear that his investigation of the merger is not complete. Paulson was expected to testify in July, although as of press time had yet to sit before the committee. Towns also said that leaders from the Federal Deposit Insurance Corp. and the SEC would be summoned to share their views.

"We are not even close to finishing this investigation," he said. -Steven Sloan, with additional reporting by Stacy Kaper

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