

Thompson: Bailout an imperfect but necessary choice

Contributed by Elizabeth Larson
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LAKE COUNTY — On Saturday, the day after he voted along with the majority of the House of Representatives to pass a massive bailout bill, Congressman Mike Thompson was back in his district, fielding questions about his decision to change his vote and what the bailout itself will possibly offer America.

Last Monday, Thompson cast a no vote, along with 227 other House members, to defeat the first version of the proposed bailout bill, the Emergency Economic Stabilization Act of 2008, HR 3997. The vote was 228 to 205.

The House followed that with a Friday vote for a different version of the bill that the Senate had passed two days earlier. Thompson voted yes on that bill.

“This wasn't just about Wall Street, it was about Main Street,” Thompson said during a Saturday interview with Lake County News.

The first version of the bill, which Thompson called “the Bush bill,” would have given Treasury Secretary Henry Paulson \$700 billion “with no questions asked,” he explained.

It was a bill, he added, that nobody really liked.

The push for that bailout bill came days earlier, said Thompson.

He and Speaker of the House Nancy Pelosi were flying home to California from Washington. First, however, Pelosi had a meeting with Paulson and Federal Reserve Chairman Ben Bernanke.

On the trip home, Pelosi told Thompson about the meeting, during which Bernanke and Paulson had reportedly warned that the economy would “implode” without the intervention of Congress.

Before the Monday vote, Thompson said he received hundreds of phone calls from constituents, most of which were overwhelmingly against the bailout. He estimated he received eight calls urging him to vote for the bill and about 1,200 asking him to vote no.

After the first version of the bill went down to defeat, work began on another version.

Thompson said he believed everyone in Congress came together to try to work through what was, for many, a new issue.

Members of Congress also met with academics and economists to try to find out the best course to take, he said.

Thompson said he talked to everybody that had insight into the economic issue that he could. He said they needed as many eyes on the plan as they could get.

Hundreds of pages added to legislation

The text of the bill that the Senate, and later the House, finally passed on Oct. 3 is — at about 450 pages — roughly three times as long as the original bill that failed on Sept. 29.

A key addition is an increase in deposit insurance coverage offered by the Federal Deposit Insurance Corp. at FDIC-insured banks. Previously, deposits up to \$100,000 were insured; that now rises to \$250,000 per account owner. The increase became effective Oct. 3 and runs through Dec. 31, 2009.

Many of the additional provisions are related to energy production incentives, including credits for renewable and clean energy sources, such as solar, biodiesel and geothermal; energy conservation and efficiency provisions; extension of energy credits for refined coal facilities; carbon capture requirements for certain fuels; and financial incentives for refining tar sands and oil shale.

There also are tax extenders and alternative minimum tax relief, with extensions for both individuals and businesses; temporary suspension of limitations on the contributions of food to charitable organizations made by farmers and ranchers; temporary tax relief for areas of the Midwest hit earlier this year by severe storms, tornadoes and flooding; and temporary tax-relief bond financing and low-income housing tax relief for areas hit by Hurricane Ike, among many other measures.

One notable addition to the final version of the bill is a four-year reauthorization of the Secure Rural Schools and Community Self-Determination Act of 2000, which supplies funds to rural communities for roads and schools based on historic timber receipts.

Since the bill ran out at the end of 2006, it has run into repeated roadblocks as proponents attempted to get it extended. In recent years Lake County has received about \$1 million a year, which has been split between the county road department and local schools, most notably those in Upper Lake, where much of the county's timber was harvested.

A seven-year cost recovery period for motorsports racing track facilities that was added, which Thompson reportedly wrote, has earned him criticism for what many consider is just one example of the pork added to the new bill.

The need to free up credit hits business, government

As work on the new bill continued, Thompson said he was still hearing a large portion of his constituents urging for a no vote, but with the economy a “ticking time bomb” and credit being withheld from small and large businesses alike, something had to be done to get the credit markets working again.

Lines of credit, necessary for operating business, needed to be freed up, said Thompson, who pointed to 159,000 jobs lost last month and California's 7.6-percent unemployment rate, the highest in 12 years.

He also heard from constituents facing the loss of jobs and contracts because of the credit crisis.

Credit concerns were an issue for the state of California as well. Gov. Arnold Schwarzenegger sent a letter to Paulson last Thursday, pointing to the effect the nation's financial crisis was having on California, a sentiment he also shared with California's Congressional delegation, including Thompson.

Schwarzenegger, who stated his belief that the bill wasn't a Wall Street bailout but rather “a lifeboat” for

millions of Americans whose life savings, livelihoods and retirements were on the line, wrote that California's economy is uniquely sensitive to national and international economic conditions and fluctuations in the financial markets.

The immediate impact on state government, said Schwarzenegger, was a lack of liquidity in credit markets, with many state and local governments unable to secure financing for bond offerings and the routine cash flow used to make critical payments to schools, local governments and law enforcement.

In California, Schwarzenegger was anticipating issuing \$7 billion in Revenue Anticipation Notes for short-term cash flow purposes and seeking help from the Federal Treasury if the situation didn't improve quickly.

As he decided on the bill, Thompson said he received written commitments from both Pelosi and Massachusetts Congressman Barney Frank, who chairs the House Financial Services Committee, that regulatory reform legislation to protect taxpayers and establish a safe financial system will be at the top of their agenda in moving forward.

Then on Thursday, Thompson got a call from presidential candidate Sen. Barack Obama.

"I wanted him to assure me this (market reform) would be a priority," said Thompson.

Obama gave him that assurance, telling Thompson it will be a priority in his administration if he's elected president next month.

By Friday, Thompson was prepared to vote yes on the revised version of the bill passed on Wednesday by the Senate. That bill succeeded in a 263-171 vote.

But that bill also, said Thompson, was far from perfect.

"I don't think there was a light-hearted vote cast," said Thompson.

President Bush signed the Emergency Economic Stabilization Act of 2008 on Friday, within hours of its passage.

In the end, Thompson concluded the bill was the only — albeit imperfect — option Congress had, and it was better to vote for a flawed rescue package and start trying to work through the crisis than take no action at all.

"My vote on Monday, I think, was the right vote," said Thompson. "My vote on Friday was the right vote."

Hearings on the causes of the financial crisis are scheduled to start next week, said Thompson.

The hope is that the information that comes from those hearings can lead to new legislation on market reform in the coming year, with Congress hitting the ground running with a plan in January, he said.

E-mail Elizabeth Larson at el Larson@lakeconews.com.

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