



BUDGET COMMITTEE



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**Senate Floor Statement of Senator Judd Gregg
On Status of Emergency Economic Stabilization Act
September 30, 2008
(unofficial transcript)**

I wanted to speak a little bit about where we stand. Everybody is concerned about this, relative to our efforts to revive the economy and free up the credit markets and make sure that Main Street continues to function, with jobs created and economic activity pursued.

Obviously, the House vote on Monday was disappointing, to be kind, and it had an immediate effect on America. \$1.2 trillion of wealth was taken out of American markets quickly. The market today is up a little bit. Which is good. I'm glad that calmer heads have prevailed in the market. Fear isn't what drives the markets today. That's good.

But the problem that drove yesterday's drop hasn't gone away. The problem that created that event is the credit markets, not the equity market. The stock market is different from the credit markets. The credit markets are moving toward a point of freezing up.

What does that mean? That means that the local employer who has to finance his or her payroll -- the small restaurant or small seasonal business -- one week doesn't make enough to cover the payroll, but the next week makes more. The next week they have to make the payroll for the bank, but they're not going to be able to do it or it will be less than what the total payroll is. The person who buys inventory, such as a restaurant, has to buy food. A small business has to buy materials. A store has to buy its inventory, the things it puts on a shelf. That is done through credit on Main Street. That credit won't be available. A family sends a child to college; that's an event that energizes a debt and creates credit. A family uses a credit card; that then energizes credit.

What does it lead to? A loss of jobs, economic savings, and the basic character of America to be a place of commerce and economic well-being. And, unfortunately, whether we like it or not, we're on the cusp of that event. It is severe, and it is serious, and it is real.

So what did we suggest as a proposal? The Treasury came to us and said, the way to free up the market, the way to get credit moving again, or part of the way to get credit moving again, is to buy off the books of a large number of the financial entities in this country

what are known as non-performing loans, loans which are based on mortgages, mortgages on homes whose value has dropped so much that the mortgage exceeds the value of the home, or alternatively, a sub-prime mortgage and the payer of the mortgage can't afford to pay it anymore because the interest rates went up so much.

Those non-performing loans are sitting on the books of lots of lending institutions. There is no way to value them. The value of the underlying asset has dropped so much. The practical effect is that those lending institutions can't lend against those assets. What the government was going to do is step in and buy those assets, the non-performing loans, so that the institutions can start to borrow against real assets, valued assets and thus create credit.

We were going to take those assets which we purchased and we were going to hold them while the market started to settle down and the economy would hopefully improve. And then we would resell them into the market and we would get money back for the taxpayer.

Even though \$700 billion is a number that you hear, it is in the most inappropriate way hyperbolized. We are taking \$700 billion and we're buying assets and later on we're going to sell those assets. We may sell them for what we paid for them. We may sell them for less than what we paid for them. We may sell them for more than what we paid for them - - there are a lot of people who think we will. The cost to the taxpayer is not going to be great. It is not going to be near \$700 billion. There is an outside chance that the taxpayer may make money. That is not our goal, but that's an opportunity that may occur.

I'll describe it this way, to put it in simpler terms. If you had an eight-lane highway in your town or city, and you had a crash on that highway that blocked the entire highway, backed up behind that crash may be trucks carrying your payrolls -- carrying the money that makes the hospital work; carrying the money for the school system; carrying the money that allows the garbage to get picked up; carrying money to allow kids to go to college.

So what we're going to do as a government is take that accident off the highway and let the commerce flow again and then we're going to take the cars that were in the accident, those cars that are all mangled, we're going to repair them a little bit and we're going to resell them. We're going to resell them, perhaps for more than what we paid for them, but we'll sell them at a value that is considerable.

That's what we're doing here. We need to act. This is not a theoretical or virtual event. The market showed us yesterday how worried people are about this and how important it is to proceed forward. So what should we do now that the House has acted in this way and basically suspended the effort here? We need to return to the issue. We need to, in a consensual and constructive way, get this matter back up and moving in the right direction.

I hope the Senate will act. I think we should act. We are obviously here on the Jewish holiday, so we're unable to take action today, and maybe not until late tomorrow night are we able to because we want to recognize and be appreciative of those sacred days. The fact is that we need to act soon. We need to act soon. This is not a situation which is going to get any better with time. It's going to get significantly worse and at some point it is like a snowball rolling down a hill, it is so fast, and our ability to stop the damage that is going to be caused is going to be dramatically less.

Is this proposal that we came forward with perfect? No. But it has a lot of safeguards. Taxpayers were safeguarded. This was added on to the negotiation. During that negotiation, by the way, where the representatives of all of the players came together -- House Democrats and Republicans, Senate Democrats and Republicans, and Treasury -- we put in very strict, very aggressive, taxpayer protection.

For example, all of the dollars which we get for selling the assets is going to go to reducing the debt. We limit executive compensation so people cannot take advantage of the situation. We limit golden parachutes. We put in place language that says, if we get these mortgages and people are in their homes, we want to keep them in their homes. We'll try to reorient that mortgage so they can afford it. We have done a series of things to make sure it works better and works to the benefit of the American taxpayer and to the people who live in their homes. But it is critical that we do it.

Does it solve the problem? No. No, it doesn't solve the problem completely in any way. What it does is -- it's like for a person who received a severe wound, and I mean a life-threatening wound, we are putting a band-aid on that wound to stabilize that person and take them to the hospital and get them cured and on the road again to a prosperous life. That's what we're doing with the economy. We're putting a tourniquet or a Band-Aid on the economy so that it can stand back up on its own two feet and get going again.

If we don't go forward, there will be severe events and most of the burden of the severe events is going to be borne by Main Street. Ordinary Americans are going to bear the burden. They'll be the ones whose job payroll can't be made, so they'll lose their jobs. They'll be the ones that can't borrow to buy a car or a house, or borrow to send their kids to school. It is their hospitals that will not be able to roll over their revenue bonds; it is their industrial parks where their jobs are located where they won't be able to roll over their jobs to do the improvement to create the entities to expand the economy. Those are the things that will be impacted here. Main Street America.

So I think our responsibility as a government is to take action. Sometimes there are votes that come along that are difficult, in this instance it is because people have been misrepresenting what has been happening here, there's been a lot of theater in the public marketplace by some people who basically are being irresponsible, in my opinion. So the general public has been misinformed. They mistrust the government anyway, and maybe they should. We should be suspicious of government, to say the least. As a practical matter, in this instance, there has been a tremendous amount of misinformation,

especially about the immediate impact that this will have on people on Main Street if we don't act. And so we have this situation.

And I think what we need to do is step back, calm these waters and act in a responsible way. We need to move forward in a way that allows us to take this opportunity to try to free up the markets, get credit flowing again and hopefully relieve some of the pressure that's going to be on everyday Americans from what is a very severe economic situation.

So I hope that we will vote soon. I'd like the Senate to vote as soon as we can and not in any way impinge on the Jewish holiday. Because I believe we need to do that. We need to do what's in this legislation because the consequences of not passing it are so extraordinary and will be so detrimental to our country and to our people that it would be totally irresponsible not to take this action.

Thank you, Mr. President.