



# BUDGET COMMITTEE

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**Senate Floor Statement of Senator Judd Gregg  
On Emergency Economic Stabilization Act  
October 1, 2008  
(unofficial transcript)**

Mr. President, I want to recognize and acknowledge the Senator from Connecticut, and the tremendous work he has done over the past few days to bring this piece of legislation to this point.

This is an emergency and this is a crisis. Those terms are often overused. In this instance they're not being overused. We know that the financial markets are under extreme duress. We have seen some of our financial institutions fail or be reorganized in the last few weeks. We know, regrettably, the credit markets are basically locked up and the credit on Main Street is disappearing. People aren't able to get financing for the payrolls, financing for inventory, financing to buy a car, send children to school, rebuild the local hospital, rebuild the local school system. This is not a virtual event. It's not an event of theory. It is a real event of very severe economic consequences.

So action has to be taken and with the Chairman of the Committee, working under a bipartisan, bicameral format with the Secretary of the Treasury, we have come up with a proposal to try to address this. Is this the answer to the entire problem? Obviously not. The way I described it is that we have a patient who is suffering a severe wound, who is bleeding, so we are going to try to put a tourniquet on that patient and hopefully take other action to cure him and get him back up on his feet. Get the economy back up on its feet. Make sure that Americans are able to go to work and enjoy a prosperous lifestyle.

This proposal as it came from the Treasury is simple. It is going forward with a significant amount of taxpayers' money, \$700 billion, and taking those dollars and buying investments. That is an important point to mention. There has been demagoguery and hyperbole that we are throwing money at Wall Street. That is not the case.

What we propose is that we will purchase assets -- assets that have value -- and the taxpayers will own the assets. Down the road, we will probably sell the assets and we'll probably get money back in the federal treasury for the taxpayer. We may actually break even. We may lose some money. It is more likely that we will come close to breaking even. We may even, some are telling us, make money for the taxpayer. This is not \$700 billion out the window.

In doing this, we are going to free up credit on Main Street that makes it possible for people on Main Street to do the things they usually do. You know, America runs on readily available, reasonably affordable credit. Every American has credit on something, their credit card, their home, their car, and their kids going to school. A little company they work for, if they work for mom-and-pop, probably has credit to make their payroll or to buy inventory. All of this is necessary to keep the economy going. Yet we are seeing it dry up and freeze up. And we're going to try to leave that pressure so that Main Street can operate as it should.

In addition to what the Treasury Secretary needed to free up the credit, we, as a Congress, felt that we needed to do other things, we needed to protect the taxpayer, and we have done that in this bill. Every dollar that comes into the Treasury as a result of reselling the assets will go to reduce the debt. It won't create a new program; it will go to reduce the federal debt.

In addition, we wanted to make sure that nobody would game the system at the expense of the taxpayer. We have language in here that eliminates any sort of golden parachutes, limits corporate salaries of the C.E.O.s of the major companies that may take advantage of it, and, basically eliminates -- as a result of the efforts of the Senator from Montana and his good ideas -- the tax deductions for high-tax individuals above a reasonable amount.

In addition, as a result of the leadership of the Chairman of the Committee, again, we focused a lot of attention on making sure that we could keep people in their homes. We don't want people foreclosed on. Interestingly enough, as a result of the federal government buying these assets -- which is mostly mortgages, mortgage-backed securities, which we would be buying at 20% below face market value -- we, as a government, will be in a position to reorganize for the people who today can't meet their mortgage payments because they bought a sub-prime mortgage and they couldn't make the payments when the mortgage reset.

We're going to be able to adjust those mortgages and if a person lives in their property as a personal residence and if they have a reasonable income, hopefully we'll be able to structure it so they can stay in that property today -- something that they most likely would not be able to do under the present economic scenario. We will let people stay in their homes and protect their opportunity to participate in a reasonable mortgage. And at the same time, make money for the taxpayers. Once the mortgages start to perform again, they will be more valuable.

We addressed the issue of oversight. We created massive transparency so that everybody will know what is happening here. As mentioned earlier by the Senator from New York, things will go up on the Internet so people know what is happening here. We have a significant oversight, we have an oversight for the Treasury Secretary, and we have a new Inspector General just for this issue. A new GAO initiative for this issue. There will be significant oversight so taxpayers' dollars are watched carefully so that we know that proper actions are being taken.

We heard from our colleagues in the House of Representatives that they had concerns in the area of insurance programs, so as the negotiations went forward, we put in an option

of an insurance program. We heard from our colleagues on the Democratic side, make sure that the taxpayers have an option here so that if we don't recover all of the money that we put in, if there is some shortfall, there is an ability to go back to the financial institutions four or five years from now when they're stronger to get a payment to pay for the shortfall. That option is in here.

In addition to that, we expanded the FDIC coverage with this bill so that people can have confidence that the money that they're putting in their savings accounts, in their checking accounts, in banks, is going to be safe and they don't have to move it around and maintain these artificial caps in their accounts.

So this is a plan that addresses the needs of the American Main Street through freeing up credit, but it also includes a lot of effort to protect the taxpayer, protect the mortgagee, have proper oversight, and do it in a way that is constructive and hopefully returns revenue to the Treasury rather than cost the Treasury revenue.

Is it the answer to the whole problem? No, no. Please don't assume that after we pass this bill, and hopefully we will pass this bill, that suddenly the light is going to shine on the American economy. We are in for a difficult economy for a considerable period of time. We know that. Other institutions will be under significant pressure. Regrettably, probably some of those institutions will not survive this economic situation.

But the option of not doing anything at this time is to virtually guarantee that we, as an economy, will begin a very significant downturn of disproportionate impact on people on Main Street. People will lose their jobs, people will lose their savings, and people will find that they cannot get the credit necessary to keep their businesses open or to function at a reasonable level. There is no question, but if we don't get the credit markets working again, we will face a dramatic downturn of proportions which we have not seen in my lifetime in the United States of America and in our economy. And it is something that we should not risk. We should not roll those dice.

This is a program which we can do. It may not cost taxpayers anything, but if it does cost taxpayers something, it is not going to be a dramatic amount of money. We can do it with safeguards and it is an action that we should take as a Congress, as representatives of our citizenry, in order to fulfill our obligation to make sure that when you see an impending crisis that you know is going to have a huge adverse effect on the people that you represent, you move on that crisis, you take action, and you try to resolve it. That's what this proposal does. It's not the answer to all of the problems that we have in this economy. But without it, we are going to have a much more severe and difficult time.

Mr. President, I yield the floor.