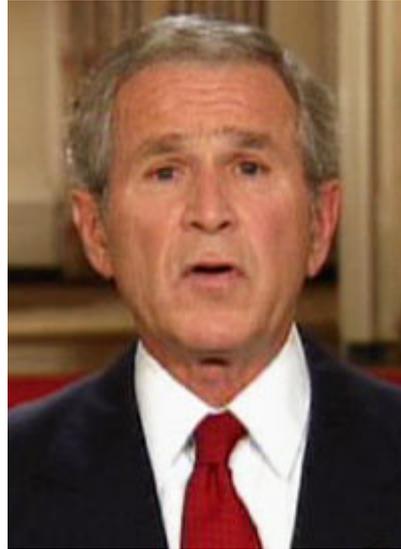




## Voter Outrage Against Mortgage Bailout

In recent weeks, the taxpayer has already been forced to accept responsibility for Fannie Mae, Freddie Mac, and AIG (not to mention regional banking colossus Indymac), on assurances that, as Depression-era federal hucksters used to say, "prosperity is just around the corner." Yet with each new federal intervention in the crisis, another shoe of the ailing financial centipede drops.



According to reports, angry Americans are not taking this latest outrage lying down. Lew Rockwell of the Ludwig von Mises Institute reported on his website [lewrockwell.com](#) that "terrified oligarchs" on Capitol Hill are "being inundated by calls, emails, and visits from their very angry constituents." A September 24 *New York Times* [article](#) on the furor by Sheryl Stolberg is worth quoting in some detail:

Americans' anger is in full bloom, jumping off the screen in capital letters and exclamation points, in the e-mail in-boxes of elected representatives in the nation's capital.

"I am hoping Congress can find the backbone to stand on their feet and not their knees before BIG BUSINESS," one correspondent wrote to Representative Jim McDermott of Washington.

"I'd rather leave a better world to my children - NOT A BANKRUPT NATION. Whew! Pardon my shouting," wrote another.

Mr. McDermott is a liberal Democrat, but his e-mail messages look a lot like the ones that Representative Candice S. Miller, a conservative Republican from Michigan, is receiving. "NO BAILOUT, I am a registered republican," one constituent wrote. "I will vote and campaign hard against you if we have to subsidize the very people that have sold out MY COUNTRY."

The backlash, in phone calls as well as e-mail messages, is putting lawmakers in a quandary as they weigh what many regard as the most consequential decision of their careers: whether to agree to President Bush's request to spend an estimated \$700 billion in taxpayer money to rescue the financial services system.

Around the country, Republican and Democratic voters are rising up in outright opposition to the White House plan or, at the very least, to express concern that it is being pushed through Congress in haste.

Lawmakers, in turn, are agonizing over what to do. Mrs. Miller said she had been "trying to be very deliberative about it," listening to administration officials like Treasury Secretary Henry M. Paulson Jr., consulting with bankers from her district and independent experts. She sounded torn



Written by [Denise Behreandt](#) on September 25, 2008

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Wednesday, saying she was looking for guidance from Republican leaders and hoping they would come together with their Democratic counterparts on a bipartisan plan.

"I would say it's the most concerned I've been since I've been in Congress," said the congresswoman, a former Michigan secretary of state who won her House seat in 2002. "I appreciate all of the input that I'm getting from my constituents, but I'm just not reacting to that - I can't until I understand it better and feel comfortable with my vote. And I'm not sure how I'm going to be voting yet."...

Senator Barbara Boxer, Democrat of California, has received nearly 17,000 e-mail messages, nearly all opposed to the bailout, her office said. More than 2,000 constituents called Ms. Boxer's California office on Tuesday alone; just 40 favored the bailout. Her Washington office received 918 calls. Just one supported the rescue plan.

Senator Sherrod Brown, Democrat of Ohio, said he had been getting 2,000 e-mail messages and telephone calls a day, roughly 95 percent opposed....

It is much the same on the Republican side. Aides to Senator Jim Bunning, a Kentucky Republican who has called the bailout plan "un-American," said the senator had received more constituent reaction to the bailout plan than to any issue since the immigration debate.

Representative Ray LaHood, Republican of Illinois, said he had not seen such an outpouring since President Bill Clinton's impeachment trial in 1999....

"The last time that Congress hurriedly passed legislation that the administration presented as 'urgent' we got the Patriot Act, with its mix of necessary reforms and onerous civil rights abuses," one of Senator Brown's constituents wrote. "Do not fall into this trap again."

Others, invoking the Bush administration's efforts to expand executive authority, are irate over the idea that one person - Mr. Paulson, and then his successor - would control so much taxpayer money. "So many people have said to me, 'This is a democracy; this isn't a dictatorship,'" Senator Kent Conrad, Democrat of North Dakota, said.

Fiscal conservatives, on the other hand, see the White House abandoning core principles, marching down a treacherous road toward government intervention in the markets. "We are turning into a socialist country," one voter warned an aide to Senator Pete V. Domenici, Republican of New Mexico. "Let the markets work."

As is so often the case, the general public's instincts are spot-on. The proposed bailout is a moral, constitutional, and financial outrage. It is not only economically unsound, it will also shield financial malefactors from having to face the consequences of poor and even fraudulent investment decisions, while doing little to benefit Main Street in the long run.

In the first place, nobody — least of all President Bush, Ben Bernanke, Henry Paulson, or any senator or representative — has the remotest notion how much bad debt is out there, concealed and rarefied by the workings of the impossibly intricate derivatives market, or who is holding it. In all likelihood, \$700 billion dollars will prove far too conservative an estimate; the real price tag may well run into the trillions of dollars.

Of course, few in Washington, D.C., Republican or Democrat, will admit that the best thing would be for government to take no action at all, but to allow the economic downturn to run its natural course instead. This was done back in 1921, when the United States endured a very sharp but brief postwar



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recession. Unfortunately, when the next economic correction took place in 1929, the federal government, first under Hoover and then under FDR, chose to intervene in the workings of the market with price supports, bank holidays and bailouts, seizures of failing corporations, and "make-work" legislation, all of which served to turn a brief downturn into the worst depression in American history.

This time around President Bush, backed by Paulson, Bernanke, et al, is urging Congress to embark upon a similar course of drastic market intervention. In a televised speech Wednesday night, the president claimed that the government has no choice but to intervene with taxpayers' money:

I'm a strong believer in free enterprise, so my natural instinct is to oppose government intervention. I believe companies that make bad decisions should be allowed to go out of business.

Under normal circumstances, I would have followed this course. But these are not normal circumstances. The market is not functioning properly. There has been a widespread loss of confidence, and major sectors of America's financial system are at risk of shutting down.

The government's top economic experts warn that, without immediate action by Congress, America could slip into a financial panic and a distressing scenario would unfold.

In his address, the president assigned blame for the crisis on wicked speculators, unscrupulous bankers, and foreign investors, but had nary a word for those truly responsible for the years of easy credit and artificially depressed interest rates: the U.S. government, especially the Federal Reserve System and the U.S. Treasury. Add to this decades of over-regulation and the widespread assumption that, if push came to shove, the federal government would bail out financial corporations deemed too large to fail, and we have a perfect recipe for excessively risky investment and eventual financial catastrophe.

The president's claim notwithstanding, the market is "functioning properly" as it tries to cleanse itself of overvalued assets, whereas the proposed bailout would only perpetuate and worsen the problem by propping up artificially high housing prices and encouraging more malinvestment. The president's own words betray his lack of confidence in and understanding of the workings of a free market, and his actions show he has little regard for constitutional restraints on the power of the executive branch. More regulation of finance lies ahead, the president warned, praising the U.S. Treasury's plan to turn the Federal Reserve into an all-purpose regulator and overseer of every facet of U.S. financial activity. As with the War on Terrorism, the mantra seems to be "whatever government deems necessary shall be the order of the day, and the Constitution, with its limits on power, be hanged."

Americans are right to be outraged over this mother of all Washington boondoggles, and their collective displeasure may yet derail the Bush Bailout. Stay tuned.

To send a letter to Congress opposing the \$700 billion bailout, click [here](#).

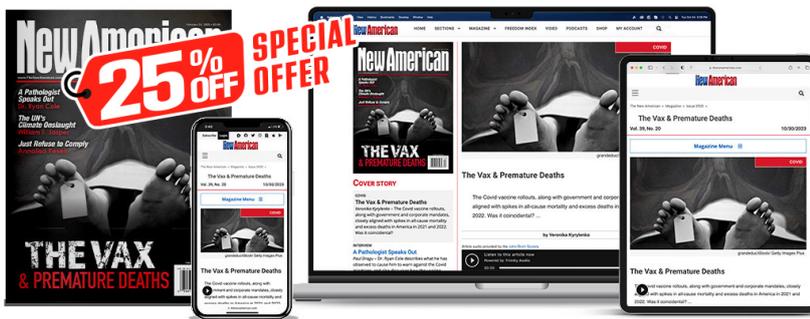


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