Bush, Paulson, Bernanke Not Trustworthy on Economy

How serious might this scenario be? The president continued:

> More banks could fail, including some in your community. The stock market would drop even more, which would reduce the value of your retirement account. The value of your home could plummet. Foreclosures would rise dramatically. And if you own a business or a farm, you would find it harder and more expensive to get credit. More businesses would close their doors, and millions of Americans could lose their jobs. Even if you have good credit history, it would be more difficult for you to get the loans you need to buy a car or send your children to college. And ultimately, our country could experience a long and painful recession.

On September 28, after a bipartisan group of congressmen working with the administration reached an agreement on the bailout bill, President Bush warned in a statement: "Without this rescue plan, the costs to the American economy could be disastrous."

Yet President Bush and other officials pushing the emergency bailout legislation were until recently much more optimistic about the future direction of the economy. Which begs the question: if they were wrong about the economy in the recent past, why should we trust them now — particularly with $700 billion?

Less than three years ago, in his January 31, 2006 State of the Union address, President Bush boasted: "Our economy is healthy and vigorous, and growing faster than other major industrialized nations." When he met with his economic advisers on August 18, 2006, he said: "The foundation of our economy is solid, and it's strong." And he added:

> All of us here are confident about the future of this country. Over the past five years, our economy has faced unprecedented challenges from recession to corporate scandal to terrorist attack to natural disasters. And through it all, our free-enterprise system has proved to be the most resilient and responsive in the world.

Even as recently as January 18 of this year, President Bush said that "the economic team reports that our economy has a solid foundation," though he also acknowledged that "there are areas of real concern." Specifically: "Our economy is still creating jobs, though at a reduced pace. Consumer spending is still growing, but the housing market is declining. Business investment and exports are still rising, but the cost of imported oil has increased." The president continued:

> In a vibrant economy, markets rise and decline. We cannot change that fundamental dynamic. As a matter of fact, eliminating risk altogether would also eliminate the innovation and productivity that drives the creation of jobs and wealth in America. Yet there are also times when swift and temporary actions can help ensure that inevitable market adjustments do not undermine the health of the broader economy. This is such a moment.

That was in January, and Congress soon passed a $150 billion, administration-supported economic stimulus package that was supposed to jump-start the economy. Now, the administration is no longer warning about less growth but about economic disaster. And the administration is urging immediate action on a $700 billion bailout plan that would eliminate not only risks but, as the president himself said, "the innovation and productivity that drives the creation of jobs." The president was correct when he made that observation last January. After all, investors will make more and more bad decisions undermining our economy if they believe that the U.S. government will come to their rescue whenever they incur huge losses.

Treasury Secretary Henry Paulson, one of the economic experts urging quick action on the bailout bill, was also optimistic regarding the economy until recently. "The U.S. economy is resilient and diverse," Paulson told the U.S. Chamber of Commerce on January 22 of this year. "It has been remarkably robust in recent years, and will be so again." In his testimony before the Senate Committee on Banking, Housing, and Urban Affairs on February 14, Paulson predicted that our economy would continue to grow despite a "necessary housing correction":

> The U.S. economy is fundamentally strong, diverse and resilient, yet after years of unsustainable home price appreciation, our economy is undergoing a significant and necessary housing correction. The housing correction, high energy prices and capital market turmoil are weighing on current economic growth. I believe that our economy will continue to grow, although its pace in coming quarters will be slower than what we have seen in recent years.

Even Federal Reserve Chairman Ben Bernanke, who has also been pushing for urgent action on the bailout bill, did not foresee the current crisis earlier this year. In his April 2 testimony before the Joint Economic Committee of the U.S. Congress, Bernanke stated:

> Clearly, the U.S. economy is going through a very difficult period. But among the great strengths of our economy is its ability to adapt and to respond to diverse challenges. Much necessary economic and financial adjustment has already taken place, and monetary and fiscal policies are in train [sic] that should support a return to growth in the second half of this year and next year. I remain confident in our economy’s long-term prospects.

Of course, President Bush and the economic gurus managing our economy no longer sound confident that the economy will improve — unless Congress quickly passes the $700 billion bailout bill. Somehow, another $700 billion added to the deficit will head off economic disaster. Somehow, we will spend our way out of recession. As to how, they don’t explain. We are supposed to trust them. But why should we?