

## Adventures in Economic Bailouts

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Last week, Congress passed the largest welfare bill in history, for \$810 billion. While there is a small bit of help for working families, most of the money will not go to help the homeless, or the unemployed, or children, or the elderly. It will help the wealthy owners of large corporations that are about to fail. These are the same people who claim to believe in "personal responsibility" when they cut welfare, food stamps, and other social programs every time they turn around. I guess that doesn't apply to corporate CEOs. Meanwhile, millions of Americans are still hungry, or homeless, or unemployed, or without health care.

The first premise of capitalism is that businesses should be allowed to succeed or fail on their own, with no help or interference from government. That's what Republicans have claimed since their deregulation fever began in the 1980s. Since then, they have severely reduced or eliminated regulations on nearly every industry – airlines, transportation, banking, insurance, media, stock market investment firms, etc. They couldn't do it fast enough, and the Democrats let them get away with it.

Then they cut taxes. And cut taxes. And cut taxes. They claimed that the tax cuts would create jobs. Tax cuts do not create jobs. If they did, we would all have five jobs by now. Americans lost 159,000 jobs in September alone, and more than 2.2 million in the last year. Where are all the jobs that those tax cuts supposedly created?

Now Americans are reaping the harvest of all of the deregulation and tax cuts. Banks are failing. Insurance companies are failing. Airlines are failing. Corporations get tax cuts for moving your job overseas. Now, people are losing their homes, their jobs, their health insurance, and their savings. Now, it's much harder to get credit, even if you are qualified. Now, interest rates will rise. Now, the government will rescue the Wall Street bankers. Gee, I guess they really aren't capitalists after all.

Bailout plans began with President Bush's original bill, which allowed Treasury Secretary Henry Paulson to distribute \$700 billion with no limits or oversight at all. Congress didn't even bother to vote on that one. The House of Representatives made some changes but defeated its first bill. The Senate added the \$110 billion in tax cuts. That version passed both House and Senate.

So now we have the Emergency Economic Stabilization Act of 2008 (EESA). That's \$700 billion to bail out failing companies and \$110 billion in more tax cuts for businesses. So, if you decided to spend \$100,000 on something – a house, a college education, several cars, whatever – would you cut your income by \$16,000 at the same time? That's what your representatives in Congress just did. Pennsylvania Senators Robert Casey, D-Scranton and Arlen Specter, R-Philadelphia and Rep. Mike Doyle, D-Pittsburgh voted for the bill. Rep. Tim Murphy, R-Upper St. Clair, voted against it.

The \$700 billion will buy mortgages and other assets from failing banks and investment firms. The government will allegedly resell those assets at a profit and return the profits to us, the taxpayers. Does anyone really think that will happen?

The law does limit excessive compensation for executives in companies that receive bailout funds. It also requires oversight and regulation. I wonder how long it will take them to get around that one. Other provisions include small tax breaks for married couples who do not itemize their deductions, extensions of personal tax deductions and credits that already exist, a crumb to homeowners facing mortgage foreclosure and bankruptcy, and a temporary increase in the FDIC insurance that protects your bank accounts.

We can debate the pros and cons of bailouts, welfare, personal responsibility, and capitalism. I just wish our legislators and government officials would be honest and consistent about what they do.

Here are definitions of some of the terms that have been in the news this week:

**FDIC** – The Federal Deposit Insurance Corporation insures your money, in your bank accounts. If your bank fails, the FDIC will reimburse you up to \$250,000 for each depositor. It protects a married couple with joint accounts up to \$500,000. If you have more than that in a single bank, you will lose anything above the insured amount, if the bank fails. The EESA raised the limit from \$100,000 to \$250,000, but only for one year. If you do have more than the insured amount, you can move some of your money to another bank. If you have questions, speak to someone at your bank.

**SUBPRIME MORTGAGE** – Banks gave excessive loans to low-income people with bad credit and insufficient collateral to secure the loans. They often loaned more money than the houses were worth. Some of those banks cheated some of those people on the contracts, too. Many people defaulted on their mortgages when they lost their jobs, or had high medical bills, or other circumstances. Then the mortgages were worth less than before and they couldn't sell them to other banks. The banks that had too much invested in the subprime mortgages lost money, and some are now failing.

**EARMARK** – Also known as “pork barrel”, an earmark is a provision added to a bill by a legislator to fund a pet project, usually in the legislator's home district. The projects evade the standard appropriations procedures and often have questionable merit.

**GOLDEN PARACHUTE** – The term comes from the book, *What Color is Your Parachute?* (Charles Nelson Bolles, 1972). It refers to compensation packages when employees leave their jobs. The golden parachutes are the most expensive. A corporate executive's package may include additional salary for several years, severance pay, stocks, and other benefits. I bet you get that when you lose your job, too.

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