

Fate of taxpayers stirs concerns

By Ryan Carter, Staff Writer

Article Launched: 09/19/2008 10:07:55 PM PDT

Area lawmakers and market watchers Friday anticipated one of the largest government expansions since the Great Depression and worried American taxpayers may wind up bearing the brunt of the bill.

The legislation, to be hashed out in coming days, will likely include government spending of \$500 billion or more on troubled mortgages and other bad debt held by already teetering institutions.

"I'm gravely concerned about how much the taxpayer is on the hook here," said Rep. Adam Schiff, D-Pasadena.

President Bush and Treasury Secretary Henry Paulson urged Congress on Friday to grant the

administration far-reaching powers to shore up - and perhaps take over - banks and other financial institutions struggling to survive the fallout from the housing market collapse.

In a news conference Friday morning, Bush acknowledged taxpayers faced risk in what could be among the largest market bailouts in U.S. history, but the time to act is now, he said.

"The risk of not acting would be far higher," Bush said.

Schiff said his main concern was ensuring that taxpayers get their money back.

"I want to make sure the little guy gets some help, not just the big investor."

Democrats on Friday discussed whether to attach middle-class assistance to the bailout legislation, despite a request from Bush to steer clear of controversial items that could

Advertisement

Whittier Daily News (800) 788-1200
WHITTIER, CA

Subscribe today!
www.whittierdailynews.com/subscribe



Print Powered By  FormatDynamics™



delay swift government intervention.

Rep. Brad Sherman, D-Sherman Oaks, said Bush was setting up legislation that sacrifices regulatory and corporate governance for the sake of Wall Street.

"I think Bush is doing an excellent job of bamboozling the press and country that something must be done, and that it must be done his way," Sherman said.

In a stump speech Friday, GOP presidential candidate Sen. John McCain , R-Ariz., said leaders should put aside partisan differences and "any action should be designed to keep people in their homes and safeguard the life savings of all Americans."

McCain also suggested the Fed needs to get back to "its core business of responsibly managing our money supply and inflation."

Most agreed that something had to be done to stem the tide of an

economy that in recent days has seen once major players such as Lehman Bros. forced into bankruptcy and others seeking cash to stay afloat.

The global panic has spread so far that administration officials feared a run on money market mutual funds , held by millions of Americans.

Massive interventions had to come, said Christopher Thornberg, an economist with Beacon Economics in Los Angeles.

The alternative was to wait longer and wake up to 18 percent unemployment, he said, adding that the problems in the nation's economy run deep.

"It's a mistake to think that this is a short-term issue having to do with a temporary pullback in confidence," Thornberg said.

Outside of worries about Wall Street, Schiff worried about a breakdown in confidence on Main Street - particularly money market funds.

Advertisement

Whittier Daily News (800) 788-1200
WHITTIER, CA

Subscribe today!
www.whittierdailynews.com/subscribe

Print Powered By FormatDynamics™



"I think it is very serious," he said.
"There's a risk that that could happen."

ryan.carter@sgvn.com

(626) 962-8811, Ext. 2720

The intervention could work if there is more transparency in the market, said Ron Berry, president and CEO of Pasadena Federal Credit Union.

If there is more transparency, and fear is taken out of the market, then "I think the Fed might come out of it OK," Berry said.

On Friday, after the plan was announced, and the Treasury Department and Federal Reserve moved to give money market mutual funds the same insurance as savings and checking accounts, financial markets continued to bounce back from declines earlier in the week.

A day after Wall Street rallied 410 points, the Dow Jones industrials climbed 370 points, apparently a sign of calmed investors.

The Associated Press contributed to this story.

Advertisement

Whittier Daily News (800) 788-1200
WHITTIER, CA

Subscribe today!
www.whittierdailynews.com/subscribe

Print Powered By FormatDynamics™