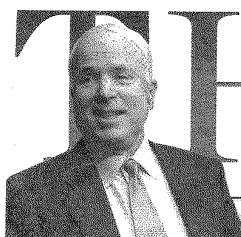


THE HILL



There is still time for him to turn the race around, says Dick Morris — P 23

Earmarks don't retire or fade away; they're bequeathed by departing lawmakers — P 12

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EDITORIALS

THE HILL

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Taking the lead

Public officials are sent to Washington to be leaders. But little leadership has been on display this week in Washington.

Monday's stunning defeat of the Wall Street bailout bill — or *financial rescue package*, depending on your perspective — was a failure for congressional leaders, the president and K Street.

Excuses were plenty in the moments after the bill went down. Partisans argued the Bush administration and GOP leaders had done a poor job selling the package and that House Speaker Nancy Pelosi (D-Calif.) had turned away potential GOP votes with an overly partisan floor speech.

There's a little truth to the recriminations. Perhaps Pelosi might have chosen a better speech, and, more importantly, she, GOP leaders and President Bush, Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke could have done a better job of selling the bill to members of Congress and the American public.

Many Americans still think the bill will help Wall Street's traders but not businesses and homeowners in their own communities. They don't like the sound of a \$700 billion bailout that at first sight appears to benefit the irresponsible lenders who led the country to this crisis.

That's what rank-and-file members reacted to when they voted against the bill despite pleas from the president and congressional leaders.

The problem is that the credit crunch is real, and it poses an even broader threat to the economy than what was

seen Monday with the dramatic stock market plunge.

Higher inter-bank loans and other aspects of the tightening credit market mean businesses are going to have more trouble getting financing for the daily activities that drive the U.S. economic engine.

The Business page of Tuesday's *Washington Post* offered one example: Caterpillar, a builder of construction and farming equipment, saw the price it pays to borrow money increase by a full percentage point. The *Post* reported that some companies are paying twice the rate they once paid to borrow.

Make no mistake, those rates will have trickle-down effects on the rest of the economy and the people who operate within it — which is every American.

Companies that are carrying higher borrowing costs may choose against making investments in their businesses, and will not be in a position to hire more workers. It can also lead businesses to contract and to eliminate jobs on the Main Street that members are so fond of invoking.

A number of lawmakers who voted against the bill did so because they don't believe in it. Other lawmakers likely were reacting to complaints from their constituents.

Both groups need to take a deep breath and a second look. They need to explain to their voters why doing something to ease the credit crunch is vital for the economy. Sometimes that's what being a leader is.

If they don't, those lawmakers may need to do some explaining later, when business owners in their districts are unable to secure loans, and more workers lose their jobs.

WHAT THE MEDIA SAY

The Boston Globe

[On Monday] the U.S. House of Representatives — and House Republicans in particular — erred badly by rejecting the \$700 billion plan to save Wall Street from its excesses.

In a fair world, Congress would never have to contemplate such a measure. But when a compromise bailout bill came before the House, the only responsible choice was to pass it.

... The markets have already begun registering their disapproval of the House vote; the Dow Jones Industrial Average fell 778 points yesterday.

After the bill failed 228-205, House Rep...

THE PLAIN DEALER

Take a seat, Dennis, Steve and Betty. You just earned spots on the gutless wall of shame for your part in Monday's ignominious congressional defeat of a financial bailout aimed at avoiding more domino crashes around the world.

The measure failed by 23 votes. That included 10 Ohio "nays," including those of Cleveland-area lawmakers Dennis Kucinich and Betty Sutton, both Democrats and Republican Steve LaTourette.

Dennis, Steve and Betty: Your district are not immune to the toxic mortgage meltdown and its threat to jobs, hom...

LETTERS TO THE EDITOR

OFC's opponents today will be its advocates in the future

From Peter Ludgin, executive director, Agents for Change

On behalf of the 6,000 members of Agents for Change, I read with interest the letter to the editor on Sept. 26, "AIG failure doesn't justify federal charter for insurers," from Robert Rusbult, president and CEO of Independent Insurance Agents & Brokers of America.

Mr. Rusbult is incorrect in implying that proponents of an optional federal charter (OFC) are proposing the "wholesale revamping" of insurance regulation. Proponents are advocating for a modernized regulatory structure that leaves the state regulatory system entirely intact. This is about better regulation, not less regulation. The word "optional" seems to escape him.

AIG's failure is just one reason to enact an OFC. The overwhelming impetus to modernize insurance regulation is quite simple: insurance consumers.

I found it interesting that Mr. Rusbult did not mention the very people he is paid to represent — agents and brokers. Producers, and the consumers they serve, are an important part of this proposal.

Consumers of insurance are the ultimate losers as insurance agents and brokers continue to labor away under antiquated 19th-century state insurance laws. Why should consumers be forced to find a new financial adviser if they move out of state? Why should a consumer in one state not have access to a product that his coworker in a bordering state can purchase? And why should states dictate the price of property and casualty products?

Mr. Rusbult rightly noted that AIG's problems were related to "its involvement in and pervasive use of credit default swaps (CDS)." On Sept. 21, New York state officials announced that some CDS qualify as insurance. They went on to state that these financial instruments, beginning Jan. 1, will fall under state regulation. In 2000 the state ruled that all CDS were not insurance. Why did it take the implosion of AIG to reverse this policy?

With their limited resources, we should not expect the states to regulate multi-billion-dollar global corporations. Mr. Rusbult's dismissal of the CDS issue is shortsighted, particularly in light of New York's increased regulatory role.

Opponents of an OFC see the writing on the wall. This is going to be a marathon and not a sprint, but an OFC will be enacted into law over the next several years because it will increase choice and competition, enhance free markets, and ultimately be good for anybody who buys or sells an insurance product. And mark my words: Today's opponents of an OFC will be tomorrow's proponents.

Washington

house. This saves all the homeowners, stabilizes the housing market, allows institutions with defaulting mortgages to remain solvent, stops the credit crisis, prevents dislocation of American families and avoids a Wall Street bailout. Irvine, Calif.

Thanks, Congress

From Nydra Carlen

We had a technology bubble similar to the housing bubble. Should we have given Treasury Secretary Henry Paulson (or Bill Gates) the unchecked power to put American taxpayers on the hook and keep the tech stocks from tumbling? Should we have pretended that the tech stocks' values had not fallen?

The price of houses dropped. There will be pain either way because the market will settle on a price eventually. If the taxpayers bail out the bankers' bad bets, it will be the taxpayers who are saddled with the bad debt and those living in mansions and riding in limos will be given time to save their fortunes. I'm so glad the bill was not passed, given the pressure from insiders.

Former Federal Reserve Chairman Alan Greenspan's interest rates skewed the markets and contributed to the bubble.

Some people got greedy, and others made bad decisions. In addition, banks were sued for "redlining" — refusing loans in areas of town where the value of properties was questionable. If those loans went bad, the banks knew they could not get another buyer at that price. But the loans were required by the Community Reinvestment Act (CRA). To comply, the banks purchased bundled CRA-compliant loans.

Thanks to Congress for not dumping losses on the taxpayers and adding even more D.C. control of our markets. Bellevue, Neb.

Responses and excerpts from

The Hill's CONGRESS BLOG

blog.thehill.com

From Troy Algood, in response to post "Time for Leadership, Not Finger-Pointing" by House candidate Pete Olson, Texas Republican
Thank you, Pete Olson! Now if you Republicans would end the War on Drugs (war on the people), and stop playing dumb when it comes to the environment, you would have my full support. The Democratic support for this bill is criminal.