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Free Enterprise: Bailout vote shows Senate's timidity

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There goes the money.

With the Senate's 52-42 vote to not block the release of the second \$350 billion tranche of the infamous \$700 billion bailout, Congress has just given up its last best chance to secure guarantees in how the money will be spent.

Of course, nobody had anticipated there would be enough votes to override the veto, which the incoming president had threatened in order to have access to the funds. However, a no-vote by the Senate would have supported efforts under way in the House of Representatives to obtain assurances backed by legislation that would have put a stop to the helter-skelter ways of disbursing billions of dollars with nary an ounce of accountability.

Because both Houses of Congress needed to reject the request to force a veto, this discussion in the House is now as good as moot.

Given the dismal reports regarding transparency and answerability in the current Emergency Economic Stabilization Act mechanisms, it would have been advantageous to require President-elect Barack Obama to use the veto pen in order to receive the money. Figuratively and literally, this would have ensured that he "owned" the second part of this unpopular program. Thus, he would have had even more incentive to follow up on his equivocal promises of better management.

The importance of such improvements was highlighted by Fed Chairman Ben Bernanke when he suggested this week to go back to the original plan and use the money to buy and guarantee "toxic assets."

As it is, all one will have to hang one's hat on will be a letter sent by the incoming director of the National Economic Council, Lawrence Summers, to Democratic and Republican leaders of Congress. In it, he gives assurances that - going forward - there will be "clear and transparent explanations for investments," that the new team will "monitor, measure and track the impact on lending" and "focus

support on increasing the flow of credit."

The latter has been found especially wanting because banks have used the government's funds to improve their capitalization while at the same time tightening lending standards.

In an apparent nod to the House of Representatives, Summers also pledges to "impose clear conditions on firms receiving government support" including limiting executive compensation and the ability to utilize the money to purchase competitors. In addition, he promises that up to \$100 billion of the money will be used to directly address the foreclosure crisis. This, of course, could quickly become a thorny issue if it is perceived as "bailing" out irresponsible homeowners to an extent not acceptable to most taxpayers who are footing the bill.

All of the new accountability requirements could have had the force of law if Congress had shown more stomach for standing up to the popular incoming president. The leaders of the new Democratic Congress have taken pains to reassure the public they will hold their own and not automatically fall in line with the president and leader of their political party.

By implication, they have promised a break from most of the past eight years, during which a compliant Congress - according to its current leadership - too often played a subservient role to a muscular executive.

The Senate, at least, with its deferential vote to avert a politically inexpedient veto, is off to an inauspicious start.

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