100 DAYS: More Bailouts, More Government Intervention, And Still No Exit Strategy

President Obama and Washington Democrats have overpromised and under-delivered during the first 100 days of this administration's watch. Between the Democrats' so-called stimulus, the additional billions in TARP funds, the Fed's ballooning balance sheet, billions more for their housing bailout, and the untold taxpayer risk that will come from their toxic assets plan, they are gambling with trillions of tax dollars. We cannot continue to add to our national debt without evaluating the long-term consequences. Borrowing and spending helped create this mess, and more of it will not solve it. The generational theft must end. The facts are laid out below.

OBAMA, DEMS PUSHED BILLIONS MORE OUT THE DOOR WITHOUT OVERSIGHT

•· ABC News: "Obama Lobbies for TARP Funds ... President-elect Barack Obama told Democratic senators in a closed lunch today that he needs the second $350 billion authorized by Congress as part of the TARP legislation last year and that he'll veto any move by Congress to cut that funding off. ... Senate Majority Leader Harry Reid, D-Nev., said today he is "very confident" there are the votes to defeat the resolution and release the $350 billion in TARP funds. Reid said after the meeting with Obama he believed there would ultimately be enough senators to defeat any effort to block the second infusion of TARP money." (1/13/09)

•· NPR: "Obama Team Lobbies For Release Of Bailout Funds ... While most Democrats are on board to approve the funds, many Republicans say the bill lacks transparency and accountability. President-elect Barack Obama's economic team went to Capitol Hill Wednesday to try to win them over." (1/15/09)

•· Time: "Obama Urges Congress Not to Block the Bailout ... And so Senate Democratic leaders are struggling to prevent their members from passing a Resolution of Disapproval of the Troubled Asset Relief Program, or TARP, which would prevent the second half of the emergency fund from flowing to the Treasury Department in the next two weeks. ... The President-elect, however, can be a very persuasive politician ..." (1/14/09)

$750 BILLION IN ADDITIONAL BAILOUT FUNDS IN THE PRESIDENT'S BUDGET THAT BORROWS, SPENDS AND TAXES TOO MUCH

•· Reuters: "Banks could get $750 billion more under Obama budget ... President Barack Obama could funnel up to $750 billion in fresh government aid to the battered banks, more than doubling a financial bailout approved last year, his proposed budget revealed on Thursday." (2/26/09)

•·   CNN: "Budget leaves open possibility of $750 billion more in bailout funds ... The budget blueprint President Obama will present to Congress on Thursday leaves open the possibility that he will need an additional $750 billion in bailout money, according to senior administration officials familiar with the plan." (2/26/09)

GEITHNER'S TOXIC ASSET ‘PLAN' THROWS MARKETS INTO TAILSPIN, LIGHTS FIRE OF UNCERTAINTY

•·   CNN: "Geithner's plan falls flat ... The Treasury Secretary's financial stability plan is underfunded and woefully short on details, experts said. ... But observers said the Obama administration's plan is neither well-funded enough to recapitalize troubled banks, nor detailed enough to assure investors that the government can solve the toxic asset problem plaguing banks. That, in part, is why stocks fell so sharply after the plan was unveiled, with the Dow Jones Industrial Average and other major indexes plunging more than 4% in mid-afternoon trading." (2/10/09)

•·   Wall Street Journal: "Geithner at the Improv ... Treasury Secretary Timothy Geithner's opening act as Rescuer in Chief yesterday was a bomb. What everyone saw was Geithner at the Improv, a routine with a few good lines but a lot of material that needs more, well, practice." (Editorial, 2/11/09)

•·   New York Times: "The Bailout's Next Chapter ... Someone should have told...Geithner that the one thing to avoid at a time of uncertainty is raising more questions. ... His speech invited, at best, healthy skepticism from the markets, the public and lawmakers - and at worst, more mistrust." (Editorial, 2/11/09)

•·   Wall Street Journal: "Why Markets Dissed the Geithner Plan ... One of the cool things about being Treasury Secretary is that you get your signature on dollar bills, giving them authority, defending their honor. Timothy Geithner's plan to save the struggling banking system probably does the opposite, throwing good money after bad to a banking system struggling under the weight of its own mistakes. The markets don't like it. The Dow dropped 382 points while bonds rallied as a port in a continuing storm." (Op-Ed, 2/10/09)

•·   Click HERE to read editorial pages from across the spectrum take aim at Geithner's flawed announcement.

GEITHNER'S TOXIC ASSET SCHEME LEAVES TAXPAYERS FURTHER EXPOSED

•· Dallas Morning News: "Geithner's recovery plan isn't a slam dunk ... Taxpayers, who already have doled out trillions of dollars, will continue to be on the hook under the new plan." (Editorial, 3/23/09)

•· National Review: "In the Market for a Better Banking Plan ... The plan is structured to transfer, as much as possible, the losses on bad assets to taxpayers." (Editorial, 3/25/09)

•· NBC's ‘Meet the Press' host David Gregory: "All right, we've defined our terms a little bit, now let's talk about the big news this week, [Geithner's] plan to help save the banks. The bank stabilization plan. We've come up with an example here and we'll role-play a little bit, because I think this is the easiest way to explain this. So here's how a transaction would work. Bank USA, we're calling it, has a loan, a toxic asset, and it's valued on their books for $100 million. And it's for sale, right? So there's going to be an auction here and investors like me could come in, and I'm going to come in and I've got--my highest bid is for $70 million, OK? That's the price for the $100 million loan that I'm actually going to pay. Now, here's how the transaction actually works, right? I'm the investor, I put in $5 million. You, the Treasury Department--you're really the taxpayer--put in $5 million, and then the government in the form of the FDIC is going to provide $60 million at very good terms, going to guarantee that loan. So the government's on a hook for a lot of this." (3/29/09)

•· Nobel Prize Winning New York Times Columnist Paul Krugman: "Administration officials keep saying that there's no subsidy involved, that investors would share in the downside. That's just wrong." (3/23/09)

•· New York Times, Krugman: "Bailouts for Bunglers ... The administration's plans for a banking system rescue [is a] classic exercise in "lemon socialism": taxpayers bear the cost if things go wrong, but stockholders and executives get the benefits if things go right." (2/1/09)

•· Click HERE and HERE to read what news outlets said about this plan that exposes taxpayers to excessive risk.

TREASURY'S TOXIC ASSETS PLAN OPENS DOOR FOR BANKS TO GAME SYSTEM, REAP HUGE PROFITS AT TAXPAYER EXPENSE

•· Joseph Stiglitz, Nobel Prize winning Columbia University econ. prof. and former chairman of the Council of Economic Advisers from 1995 to 1997, New York Times: "The Obama administration's $500 billion or more proposal to deal with America's ailing banks...is a win-win-lose proposal: the banks win, investors win - and taxpayers lose. ... Assume that one of the public-private partnerships the Treasury has promised to create is willing to pay $150 for the asset. That's 50 percent more than its true value, and the bank is more than happy to sell. So the private partner puts up $12, and the government supplies the rest - $12 in "equity" plus $126 in the form of a guaranteed loan. If, in a year's time, it turns out that the true value of the asset is zero, the private partner loses the $12, and the government loses $138. If the true value is $200, the government and the private partner split the $74 that's left over after paying back the $126 loan. In that rosy scenario, the private partner more than triples his $12 investment. But the taxpayer, having risked

$138, gains a mere $37. ... Americans are likely to lose even more than these calculations suggest." (3/31/09)

•· James Meade, Oxford econ. prof. and Brookings Institution senior fellow, Financial Times: "Why Geithner's plan is the taxpayers' curse ... the government is proposing to pick up most of the tab if the assets turn out to be worth much less than was spent on them. Indeed, the more aggressively investors compete in bidding for these assets, the worse off the taxpayers will be. I call this the taxpayers' curse. ... It is truly dismaying that the Obama administration, which publicly champions greater transparency, should put forward a proposal whose main object is to subsidise the banks without appearing to do so." (4/1/09)

•· Forbes: "Troubles With The TARP ... Special Inspector General's report highlights potential for bailout fraud. Barofsky told Forbes he hopes the Treasury will focus its attention on "central conflicts of interest and price collusion" in the government's plans to remove toxic assets from banks' balance sheets and to stoke consumer lending. Barofsky's office is concerned that fund managers in charge of assets bought from banks have an incentive to drive up the price, then sell those securities for a handsome profit--or that buyers of troubled assets might enter into a secret agreement with sellers to drive up the price and split the profits. The special inspector general is wary that money launderers might try to invest their funds in bailout programs for a profit." (4/21/09)

WHILE AMERICAN COMPANIES ARE FORCED TO TAKE HITS, FOREIGN BANKS GET PAID IN FULL ... WITH U.S. TAX DOLLARS

•· Wall Street Journal: "The Real AIG Outrage ... Since September 16, AIG has sent $120 billion in cash, collateral and other payouts to banks, municipal governments and other derivative counterparties around the world. This includes at least $20 billion to European banks." (Editorial, 3/17/09)

•· BusinessWeek: "German and French banks got $36 billion from AIG Bailout ... The majority of the [AIG counterparty payments]-$58 billion-went to banks headquartered outside the U.S. The big winners were French and German banks, which pulled in $19 billion and $17 billion respectively. ... In effect, the U.S. Treasury and Fed have been bailing out the rest of the world, to a massive degree." (3/15/09)

BAIT AND SWITCH: TREASURY AIMS TO ASSUME EVEN BIGGER ROLE IN BANKS

•· New York Times: "In a significant shift, White House and Treasury Department officials now say they can stretch what is left of the $700 billion financial bailout fund further than they had expected a few months ago, simply by converting the government's existing loans to the nation's 19 biggest banks into common stock. Converting those loans to common shares would...give the government a large ownership stake in return. ... Some critics would consider it a back door to nationalization...." (4/20/09)

•·   Wall Street Journal: "A Backdoor Nationalization ... The latest Treasury brainstorm will retard a banking recovery. ... Note to White House: Sneaky nationalizations aren't any more popular with investors than the straightforward kind. ... Wholesale equity conversion would mean the government owns a larger share of more banks and is more entangled than ever in their operations." (Editorial, 4/21/09)

INDEPENDENT IG RIPS TARP OVERSIGHT, TOXIC ASSETS PLAN

•·   Associated Press: "Bank bailout may hurt taxpayers, be open to fraud ... Taxpayers are increasingly exposed to losses and the government is more vulnerable to fraud under Obama administration initiatives that have created a federal bank bailout program of "unprecedented scope," a government report finds.

°   In a 250-page quarterly report to Congress, the rescue program's special inspector general concludes that a private-public partnership designed to rid financial institutions of their "toxic assets" is tilted in favor of private investors and creates "potential unfairness to the taxpayer."

° The report says the public-private partnership - using Treasury, Federal Reserve and private investor money - could total $2 trillion. The financial markets responded positively to the program when the Obama administration announced it last month, but the administration is still putting final touches on its implementation.

° "The sheer size of the program ... is so large and the leverage being provided to the private equity participants so beneficial, that the taxpayer risk is many times that of the private parties, thereby potentially skewing the economic incentives," the report states.

°   "In light of the fact that the American taxpayer has been asked to fund this extraordinary effort to stabilize the financial system, it is not unreasonable that the public be told how those funds have been used by TARP recipients," the report states." (4/21/09)

•·   ABC News: "American taxpayers have trillions of dollars at stake as part of the administration's programs to end the financial crisis, but this money is vulnerable to fraud, waste, and abuse, ranging from collusion to money laundering, according to the report. ... ‘I think there we've identified some potentially very, very dangerous and significant fraud risks regarding price fixing and those types of frauds,' Barofsky, the special inspector general for the Troubled Asset Relief Program (TARP), told ABC News." (4/21/09)

TARP: WHERE'S THE EXIT STRATEGY? WHY WON'T THE WHITE HOUSE ALLOW BANKS TO REPAY TAXPAYERS? AND WHERE'S THE TRANSPARENCY?

•·   The Hill: "There's a question of whether the government should keep [TARP recipient] banks under a restrictive program if they wish to leave it, particularly a program some banks entered only reluctantly..." (4/19/09)

•·   Washington Times: "Banks are getting trapped in TARP ... Banks that were forced to take bailout money are running into political obstacles that prevent them from repaying it. The White House is unwilling to give up the additional control over the banks - the ability to make operational decisions, fire executives and dictate pay scales - that the bailout funds allow." (Editorial, 4/13/09)

•·   National Review: "TARP Trap ... Several large banks...have announced that they would like to repay the funds they took from the government under Paulson's Capital Purchase Plan (CPP) last October, but the Obama administration is discouraging them from doing so. A senior administration official told the Financial Times that a bank would not be allowed to repay its TARP funds unless it was "good for the system" - never mind what's best for that particular bank. ... In the absence of a compelling explanation from Geithner & Co., the administration's reluctance to let the banks pay back the money has generated several theories. ... If some banks want to pay back their TARP money, we should let them." (Editorial, 4/23/09)

LEARNING NOTHING FROM THE GSE FALLOUT, DEMS LOOK TO TAKE SAME APPROACH WITH FINANCIAL INSTITUTIONS DEEMED ‘TOO BIG TO FAIL'

•·   OC Register: "‘Too big to fail' list could get lot longer ... The Obama administration and the Federal Reserve Board have begun a full-court press to get Congress to expand the federal government's power to be able to seize nonbank financial institutions - insurance companies, hedge funds, investment banks, private equity firms - that run into trouble. This is such a bad idea that it's hard to know where to begin. ... This new power Obama seeks would be to handle companies that pose a "systemic" risk or, in other words, those deemed "too big to fail." The government has little experience with such a task, and based on its record with AIG, not much relevant skill. ... The notion that some companies are "too big to fail" was one contributor to the current financial crisis." (Editorial, 3/26/09)

BROKEN HOUSING PROMISES: BAILING OUT IRRESPONSIBLE ACTORS

•·   Associated Press: Irresponsible Homeowners Who Lied Eligible For Bailout Under House-Passed Bill

•·   FLASHBACK: President Obama: "The plan I'm announcing focuses on rescuing families who have played by the rules and acted responsibly. ... I also want to be very clear about what this plan will not do: It will not rescue the unscrupulous or irresponsible by throwing good taxpayer money after bad loans. It will not help speculators who took risky bets on a rising market and bought homes not to live in but to sell. It will not help dishonest lenders who acted irresponsibility, distorting the facts and dismissing the fine print at the expense of buyers who didn't know better. And it will not reward folks who bought homes they knew from the beginning they would never be able to afford." (Remarks by the President on the mortgage crisis, 2/18/09)

•· Click HERE, HERE, HERE and HERE to read editorials and news outlets opposed to the Democrats' housing bailout.

CRAM DOWN: HOUSING BAILOUT LAW WILL RAISE MORTGAGES COSTS, DETER LENDING

•· Associated Press: "[Cram down is a] key piece of President Barack Obama's foreclosure prevention plan." (4/22/09)

•· Washington Post: "Pelosi spokesperson: ‘The Speaker has said that [the cram down measure] is a priority for her and for the caucus.'" (1/27/09)

•· Orange County Register: "Don't make lenders swallow 'cramdowns' ... Allowing bankruptcy judges to cut mortgage balances would do more harm than good ... [the housing bailout] is one of those classic proposals that looks attractive on the surface but over the long run would do much more harm than good. ... If mortgage lenders know mortgage contracts can be broken by bankruptcy judges, they will have to take that risk into account when writing mortgages. That will mean higher interest rates or larger required down payments or a combination of both. These added costs would fall disproportionately on lower-middle-income and first-time homebuyers...." (Editorial, 3/9/09)

•· Wall Street Journal: "An Offer Banks Can Refuse ... Cramdown would be terrible for banks and the rule of law." (Editorial, 4/16/09)

•· Denver Post: "Don't let judges decide mortgages ... We question the so-called ‘cram down' legislation ... We hope those more sober minds continue to hold sway in the ‘cram down' debate. ... Why should government step in and help homeowners refinance simply because they're ‘underwater,' meaning they owe more on their homes than they're worth? If they're able to make their mortgage payments, those homeowners should ride out the bad market and hope for better days." (Editorial, 3/9/09)

•· Bend Bulletin: "Kill the ‘cramdown' ... [Cramdown] does more than give judges the power to reduce the amount owed on a home mortgage, which makes filing for bankruptcy much more attractive than it otherwise would be. It also is likely to make lenders more reluctant to lend on owner-occupied homes in the future. Knowing judges can simply come in and reduce what they're owed is likely to force up home-loan interest rates, experts say, and it may well make getting those loans at any interest rate more difficult." (Editorial, 3/9/08)

•· Orange County Register: "Choking on the cramdown ... Keep bankruptcy judges away from mortgages. [Cramdown legislation is] working its way through the Senate is the proposal, embraced by President Barack Obama and passed (in a worse version) by the House to allow bankruptcy judges to reduce the principal owned on a mortgage ... If bankruptcy judges had the power to change the terms of mortgage contracts unilaterally, that would represent an additional risk for lenders. ... Added costs would fall with disproportionate impact on lower-income would-be homebuyers or on first-time homebuyers who do not have equity in an existing home that they might be able to pull out to make a down payment." (Editorial, 4/22/09)

DEMS WERE FOR AIG BONUSES, BEFORE THEY WERE AGAINST THEM

•· ABC's The Note: "How [the Democratic] Congress Protected AIG's Bonuses ... During late-night, closed-door talks last month, negotiators for the House, Senate and White House stripped out a measure to the stimulus bill that could have restricted the AIG bonuses." (3/17/09)

•· CNN: "Dodd: Administration pushed for language protecting bonuses ... Senate Banking committee Chairman Christopher Dodd told CNN Wednesday that he was responsible for language added to the federal stimulus bill to make sure that already-existing contracts for bonuses at companies receiving federal bailout money were honored." (3/19/09)

•· Associated Press: "Democrats blame each other on AIG bonuses ... The case of the missing AIG bonus limits has become a tale of political intrigue and Democratic infighting that could threaten the re-election chances of a top senator and the credibility-if not the career-of one of President Obama's top advisers. As the House passed new legislation Thursday to crack down on the outrage-inspiring bonuses, Sen. Chris Dodd of Connecticut, the Banking Committee chairman, and Treasury Secretary Timothy Geithner engaged in intense finger-pointing about who was responsible for Congress' failure to prevent them in the first place. ... The White House on Thursday referred all questions to the Treasury Department, which had no comment." (3/19/09)

FANNIE, FREDDIE UNLOAD MASSIVE BONUSES ... JUST LIKE RAHM'S

•·   Associated Press: "Fannie, Freddie worker bonuses total $210M ... Mortgage finance giants Fannie Mae and Freddie Mac plan to pay more than $210 million in bonuses through next year to give workers the incentive to stay in their jobs at the government-controlled companies." (4/3/09)

•·   Chicago Tribune: "Rahm Emanuel's profitable stint at mortgage giant ... Before its portfolio of bad loans helped trigger the current housing crisis, mortgage giant Freddie Mac was the focus of a major accounting scandal that led to a management shake-up, huge fines and scalding condemnation of passive directors by a top federal regulator. One of those allegedly asleep-at-the-switch board members was Chicago's Rahm Emanuel-now chief of staff to President Barack Obama-who made at least $320,000 for a 14-month stint at Freddie Mac that required little effort." (3/26/09)

BY THE NUMBERS: POLLING DATA CONTINUES TO SHOW THAT AMERICANS AGREE WITH HOUSE REPUBLICANS

45%

Rasmussen: "Forty-five percent (45%) of American adults say it's time to stop all bailout funding for the financial industry." (3/23/09)

64%

CNN: "Sixty-four percent of those questioned in a Quinnipiac University survey released Wednesday feel the Obama administration program is unfair to those who pay their mortgages on time." (3/4/09)

76%

Rasmussen: "Seventy-six percent (76%) of Americans are not willing to pay higher taxes to help people who cannot afford to make their mortgage payments." (2/23/09)

75%

Rasmussen: 75% Oppose Nationalization of U.S. Banks. "All sorts of big government solutions are being proposed to combat the country's economic troubles, but Americans are clear on one thing: 75% say the federal government should not take over the U.S. banking system." (2/10/09)

80%

CNN: Taxpayers still hate the bank bailout. "A [Northwestern Kellogg School of Management survey] ... shows the degree to which many Americans appear to have lost faith in the financial system and the government's capacity to restore confidence in it. ... Some 80% of those responding said the government's methods made them less confident in the market." (1/29/09)

62%

Gallup: 62 percent of American favor not releasing the additional $350 billion TARP tranche before a detailed plan was presented. (1/15/09)

80%

CNN/Opinion Research Corporation: 80 percent of Americans believe TARP is ineffective. (1/16/09)