

WASHINGTON, DC - Today, Congressman Robert C. “Bobby” Scott (D-VA-03) released the following statement on the Wall Street bailout bill:

“As Congress moves forward on the Bush Administration’s \$700 billion proposal to bail out Wall Street, I feel a key point is being neglected in this debate. Whatever form the bailout plan takes, there should be a provision in the legislation stating that no security should be purchased without a meaningful assessment of the intrinsic value of the security, including its predicted yield to maturity.

“Testifying before the House Budget Committee on Wednesday, CBO Director Peter Orzag said we are facing three problems – illiquidity of credit markets, insolvency of businesses, and hardships experienced by homeowners. If the Federal Government is being asked to provide liquidity to frozen markets, we should be able to infuse money into financial markets by purchasing assets at no more than reasonably assessed intrinsic value, re-establish confidence, and wait for the markets to reinvigorate and buy assets back from the government.

If done correctly, the budgetary impact of a liquidity solution would be negligible.

“If the Federal Government is being asked to bail out insolvent financial corporations, we are effectively rewarding the behavior of the bad actors that caused the crisis, and punishing hardworking, American taxpayers. Bailing out insolvent corporations will cost money, and we should consider a separate solution for that problem, if any, with a separate budget to deal with it.

“We must also not forget that we will also have to deal with homeowners whose mortgages are one of the root causes of this financial meltdown. Helping struggling homeowners is also a separate problem that will cost money in the long run, and we should deal with it separately as well.

“As we address these three different problems, we should come up with separate solutions to solve each problem, instead of one solution that tries to solve all three at one time. And until an intrinsic value of the mortgage-backed securities is established, we will not know which problem the \$700 billion plan is addressing.

“To my colleagues who suggest that we should be scared of inaction, I answer that the public should be more afraid of a Congress willing to vote to spend \$700 billion without knowing what we are buying, especially considering the relative magnitude of \$700 billion. For example:

- Cost of the Iraq war so far: nearly \$700 billion; · Expansion of SCHIP to insure all American children for 10 years: \$150 billion;

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\$100 million investment in every VA Medical Center in US: \$17 billion;

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Full four-year public college scholarships for nearly 13,000,000 students: \$700

billion;

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\$700 billion bailout plan cost per American Citizen: \$2,333.

“In my opinion, the manner in which we appropriate \$700 billion is more important than the speed with which we do it. The actions of this Congress and this Administration will reverberate for decades. There are many other issues that must be addressed, such as oversight and transparency, protection of pensions, lobbying reform, and executive pay, but the first step is that we must require that no funds should be spent without knowledge of exactly what we are buying.”

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