

UNITED STATES HOUSE OF REPRESENTATIVES

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Text of a speech given by Speaker Nancy Pelosi before the House vote on the bailout plan

Madam speaker, when was the last time anyone ever asked you for \$700 billion? It's a staggering figure. And many questions have arisen from that request. And we have been hearing, I think, a very informed debate on all sides — of — of this issue here today. I'm proud of the debate.

\$700 billion. A staggering number. But only a part of the cost of the failed Bush economic policies to our country. Policies that were built on budget recklessness. When President Bush took office, he inherited President Clinton's surpluses — four years in a row, budget surpluses, on a trajectory of \$5.6 trillion in surplus. And with his reckless economic policies, within two years, he had turned that around.

And now eight years later, the foundation of that fiscal irresponsibility, combined with an anything goes economic policy, has taken us to where we are today. They claim to be free market advocates, when it's really an anything goes mentality. No regulation, no supervision, no discipline. And if you fail, you will have a golden parachute, and the taxpayer will bail you out.

Those days are over. The party is over in that respect. Democrats believe in a free market. We know that it can create jobs, it can create wealth, it can create many good things in our economy. But in this case, in its unbridled form, as encouraged, supported, by the Republicans — some in the Republican Party, not all — it has created not jobs, not capital, it has created chaos.

And it is that chaos that the secretary of the Treasury and the chairman of the Fed came to see us just about a week and a half ago — seems like an eternity, doesn't it, so much has happened, the news was so bad. They described a very, very dismal situation. A dismal situation describing the state of our economy, the fragility of our financial institutions and the instability of our markets, our equity markets, our credit markets, our bond market.

And here we were listening to people who knew of what they spoke. Secretary of the Treasury brings long credentials and knowledge of the markets. More fearful, though, to me, more scary, was the statement — were the statements of Chairman Bernanke [Ben S. Bernanke, chairman of the Federal Reserve], because Chairman Bernanke is probably one of the foremost authorities in America on the subject of the Great Depression. I don't know what was so great about the Depression, but that's the name they give it. And we heard the secretary and the chairman tell us that this was a once in a hundred year phenomenon, this fiscal crisis was so drastic. Certainly once in 50 years, probably once in a hundred years.

And how did it sneak up on us? So silently, almost on little cat feet. That they would come in on that day — and they didn't actually ask for the money, that much money that night. It took two days until we saw the legislation that they were proposing to help calm the markets. And it was on that day that we learned of a \$700 billion request.

But it wasn't just the money that was alarming. It was the nature of the legislation. It gave the secretary of the Treasury czar-like powers, unlimited powers, latitude to do all kinds of things and

specifically prohibited judicial review or review of any other federal administrative agency to review their actions.

Another aspect of it that was alarming is it gave the secretary the power to use any money that came back from these infusions of cash to be used at the discretion of the secretary. Not to reduce the deficit, not to go into the general funds so that we could afford other priorities. To be used at the discretion of the secretary. It was shocking. Working together in a bipartisan way, we were able to make major improvements on that proposal, even though its fundamental basis was almost arrogant and insulting.

The American people responded almost immediately. Overwhelmingly, they said they know that something needs to be done. Say 78 percent of the American people said Congress must act. Fifty-eight-some percent said, but not to accept the Bush proposal. And so here we are today, a week later and a couple of days later, coming to the floor with a product — not a bill that I would have written, one that has major disappointments with me, beginning with the fact that it does not have bankruptcy in this bill — and we will continue to persist and work to achieve that.

It's interesting, though, to me that when they describe this, the magnitude of the challenge and the precipice that we were on and how we had to act quickly and we had to act boldly and we had to act now, that it never occurred to them that the consequences of this market were being felt well in advance by the American people. And unemployment is up, and therefore we need unemployment insurance. That jobs are lacking, and therefore we need a stimulus package. So how can on the one hand could this be so urgent at the moment, and yet so unnecessary for us to address the effects of this poor economy in the households of America across our country?

We'll come back to that in a moment. Working together, we put together some standards — and I am really proud of what Barney Frank did in this regard. The first night, that night, that Thursday night, when we got the very, very dismal news, he immediately said, if we're going to do this — and Spencer Bachus was a part of this as well — in terms of if we're going to do this, we must have equity for the American people. We're putting up \$700 billion, we want the American people to get some of the upside. So equity, fairness for the American people.

Secondly, if they were describing the root of the problem as the mortgage-backed securities, Barney insisted that we would have forbearance on foreclosure. If we're now going to own that paper, that we would then have forbearance to help responsible homeowners stay in their home.

In addition to that, we have to have strong, strong oversight. We didn't even have to see the \$700 billion or the full extent of their bill to know that we needed equity and upside for the taxpayer, forbearance for the homeowner, oversight of the government on what they were doing, and something that the American people understand full well, an end to the golden parachutes and the — a — review and reform of the compensation for C.E.O.'s.

Let's get this straight. We have a situation where on Wall Street people are flying high, they are making unconscionable amounts of money. They make a lot of money, they privatize the gain, the minute things go tough, they nationalize the risk. They get a golden parachute as they drive their firm into the ground, and the American people have to pick up the tab. Something is very, very wrong with this picture.

So just on first blush, that Thursday night, we made it clear, meeting much resistance on the part of the administration, that those four things, equity, forbearance, oversight, and reform of

compensation. Overriding all of this is a protection of the taxpayer. We need to stabilize the markets. In doing so, we need to protect the taxpayers.

And that's why I'm so glad that this bill contains a suggestion made by Mr. Tanner [Representative John Tanner, Democrat of Tennessee] that if at the end of the day, say in five years, when we can take a review of the success or whatever of this initiative, that if there is a shortfall and we don't get our whole \$700 billion back that we have invested, that there will be an initiative to have the financial institutions that benefited from this program to make up that shortfall.

But not one penny of this should be carried by the American people. People asked, and Mr. Spratt [Representative John M. Spratt Jr., Democrat of South Carolina] spoke with great knowledge and eloquence on the budget and aspects of the budget. \$700 billion, what is the impact, what is the opportunity cost for our country of the investments that we would want to make?

O.K., now we have it in place where the taxpayer is going to be made whole and that was very important for us. But why on the drop of a hat can they ask us for \$700 billion, and we couldn't get any support from the administration on a stimulus package that would also help grow the economy?

People tell me all over the world that the biggest emerging market, economic market in the world, is rebuilding the infrastructure of America. Roads, bridges, waterways, water systems in addition to waterways. The grid, broadband, schools, housing, certain schools. We are trillions of dollars in deficit there.

We know what we need to do to do it in a fiscally sound way, in a fiscally sound way that creates good-paying jobs in America immediately. Brings money into the treasury by doing so, and again does all of this in an all-American way. Good-paying jobs here in America.

We can't get the time of day for 25, \$35 billion for that, which we know guarantees jobs, et cetera, but \$700 billion. So make no mistake, when this Congress adjourns today to observe Rosh Hashanah and have members go home for a bit, we are doing so at the call of the chair. Because this subject is not over, this discussion about how we save our economy.

And we must insulate Main Street from Wall Street. And as Congresswoman Waters [Representative Maxine Waters, Democrat of California] said, Martin Luther King Drive, in my district Martin Luther King Drive, and Cedar Chavez Road and all of the manifestations of community and small businesses in our community. We must insulate them from that. And so we have difficult choices, and so many of the things that were said on both sides of this issue in terms of its criticisms of the bill we have and the bill that we had at first, and the very size of this, I share. You want to go home, so I'm not going to list all of my concerns that I have with it.

But it just comes down to one simple thing. They have described a precipice. We are on the brink of doing something that might pull us back from that precipice. I think we have a responsibility. We have worked in a bipartisan way. I want to acknowledge Mr. Blunt and Mr. Boehner, the work that we have done together, trying to find as much common ground as possible on this.

But we insisted the taxpayer be covered. We all insisted that we have a party-is-over message to Wall Street. And we insisted that, that taxpayers at risk must recover — that any risk must be recovered. I told you that already. So, my colleagues, let's recognize that this Congressional — this legislation is not the end of the line.

Mr. Waxman [Representative Henry A. Waxman, Democrat of California] will be having vigorous oversight this week, hearings this week on regulatory reform and other aspects of it. I hope you will pursue fraud and mismanagement and the rest. Mr. Frank and his committee will continue to pursue other avenues that we can stabilize the markets and protect the taxpayer. For too long, this government, in eight years, has followed a right-wing ideology of anything goes, no supervision, no discipline, no regulation.

Again, all of us are believers in free markets, but we have to do it right. Now, let me again acknowledge the extraordinary leadership of Mr. Frank. He has been an exceptional leader in the Congress, but never has his knowledge and his experience and his judgment been more needed than now. And I thank you, Mr. Frank, for your exceptional leadership, Mr. Chairman.

I also — so many people worked on this, but I also want to acknowledge the distinguished chair of our caucus, Mr. Emanuel. His knowledge of the markets, the respect he commands on those subjects, and his boundless energy on the subjects served us well in these negotiations. But this, this is a bipartisan initiative that we are bringing to the floor. We have to have a bipartisan vote on this. That is the only message that will send a message of confidence to the markets.

So I hope that — I know that we will be able to live up to our side of the bargain. I hope the Republicans will, too.

But my colleagues, as you go home and see your families and observe the holiday and the rest, don't get settled in too far, because as long as the American — this challenge is there for the American people, the threat of losing their jobs, the credit, their credit, their jobs, their savings, their retirement, the opportunity for them to send their children to college.

As long as in the households of America, this crisis is being felt very immediately and being addressed at a different level, we must come back, and we will come back as soon and as often as it is necessary to make the change that is necessary. And before long we will have a new Congress, a new president of the United States, and we will be able to take our country in a new direction.