

# Economic crisis of 2008 / United States should bail out the banking industry

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< Economic crisis of 2008

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## Position: United States should bail out the banking industry

*This position addresses the topic Economic crisis of 2008.*

For this position

“ Given the poor marketing of a proposal whose advertised \$700 billion price tag will probably never materialize in full, and given the fact that the rapidly developing credit crisis has not quite been felt on Main Street, we are not surprised at the angry correspondence from voters -- or, rather, from certain self-selected voters. But among the 133 Republicans and 95 Democrats who voted no yesterday, there are certainly some who know better, and their lack of political courage is stunning.”

From Congressional Neroes, by The Washington Post editorial board (*The Washington Post*, September 30, 2008) ([view](#))

“ There are alternatives to the Paulson plan, some of which are better or worse from a free-market perspective. But all of them involve major government action because in a financial crisis like this — originally stoked by misbegotten government policies — only the government has enough capital to backstop the system. It is the nature of financial panics to destroy institutions and wealth willy-nilly. Insisting only on private action in a crisis this large is like counting on private emergency response to a hurricane or on a private military to fight the country's wars.”

From Failed Vote, by National Review editorial board (*National Review*, September 30, 2008) ([view](#))

“ The Chrysler bailout, President Bill Clinton's emergency loans to Mexico and the Depression-era support programs for the housing and financial sectors all ultimately made profits for taxpayers. While the savings and loan bailout through the Resolution Trust Corp. was costly, this reflected enormous losses exceeding the capacity of federal deposit insurance. The head of the FDIC has offered assurances that nothing similar will be necessary this time.”

From A Bailout Is Just a Start, by Lawrence Summers (*The Washington Post*, September 29, 2008) ([view](#))

“ Today's vote is essentially a pledge of public capital to defend and rebuild the financial system. Some of that capital has already been committed via the Federal Reserve, albeit with politicians preferring not to notice. With this vote, Congress is at last taking some ownership for the mess its policies helped to create by fueling the credit housing mania earlier this decade.”

From *A Main Street Rescue*, by The Wall Street Journal editorial board (*The Wall Street Journal*, September 29, 2008) (view)

“ Mr. Paulson has asked for widespread powers that could not be challenged. This is unacceptable. All powers should be temporary and subject to congressional review. Specifically, Congress should demand detailed quarterly updates to show how the money is being spent, and the review process should be open to public scrutiny. In addition, Congress should set clear terms under which the assistance program would end.”

From *Financial fix better than ugly alternative*, by The Dallas Morning News editorial board (*The Dallas Morning News*, September 25, 2008) (view)

“ But allowing a meltdown of the financial system caused by bad mortgage debt would be worse than the cost of a long-term taxpayer bailout. If financial markets collapsed, more workers would lose their jobs, retirement savings would be erased, and bank loans would dry up, further weakening the broader economy. As President Bush said, the gears of the nation's financial system "were at risk of grinding to a halt.”

From *The lesser evil*, by The Philadelphia Inquirer editorial board (*The Philadelphia Inquirer*, September 21, 2008) (view)

“ It's probably too much to ask McCain and Obama to lay out, in chapter and verse, how they'd like to restructure the financial regulatory system. But they could start by zeroing in on the real sources of today's problems, not the aspects that play best to their constituencies. And they can help make today's bailout expensive enough for Wall Street that it won't seem so costly to Main Street.”

From *Bailing out Wall Street*, by Los Angeles Times editorial board (*Los Angeles Times*, September 21, 2008) (view)

“ It is painfully clear that the financial system will not rebound on its own from the excessive lending and borrowing of the Bush years and the credit collapse in their wake. The one-bailout-at-a-time approach hasn't worked. And modest steps are no longer an option.”

From *Hard Truths About the Bailout*, by The New York Times editorial board (*The New York Times*, September 19, 2008) (view)

“ Many of us had significant reservations. But most Democrats were persuaded by economists who told us the dangers of inaction. And we were moved by stories of a credit crunch already starting to endanger families and small businesses.”

From *Why the Bank Bill Should Pass*, by Steny Hoyer (*The Wall Street Journal*, October 3, 2008) (view)

## Against this position

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“ "Republicans and Democrats sent a strong message Monday in rejecting the U.S. Treasury's plan to put up, if need be, \$700 billion to take bad debt off Wall Street's ledger. While it was a well-intentioned move to inject some confidence in the American financial system and forestall greater market deterioration, it left the horrible taste of dirigisme -- economic planning and control by the state -- in the mouths of too many." ”

From *The bailout falters: A market alternative*, by Pittsburgh Tribune-Review editorial board (*Pittsburgh Tribune-Review*, September 30, 2008) ([view](#))

“ "The vast majority of Americans have lost confidence in their government and their institutions, and they simply don't trust anybody in authority to do anything right or honest. The vacuum of leadership can't be filled by warnings that everything will get worse unless you say "aye" and open your wallets again. Our leaders have cried wolf too often. Even when the wolf is really there, as it is now, nobody believes or trusts them." ”

From *Stupidity breeds contempt*, by Michael Goodwin (*New York Daily News*, September 30, 2008) ([view](#))

“ "But they assert that the investment is essential to the health of the economy. And they insist that if we make this investment, we'll get all or most of it back. This promise would be more believable if the federal government had a long record of using tax dollars responsibly. In fact, it's the equivalent of the guy who raids his kid's piggy bank to feed the slots." ”

From *Beg, Borrow, or Steal*, by Steve Chapman (*Reason*, September 29, 2008) ([view](#))

“ "The best approach is to let the market - that invisible hand that is the reflection of billions of decisions made by millions of people - sort things out. One can buy homes in parts of Southern California, such as Desert Hot Springs, now for 50 bucks a square foot. The market, through its pricing mechanism, is sorting out the real estate situation with lightning speed. If government props up those who hold the mortgages, it will only delay and distort this effective, but sometimes painful, process." ”

From *Big Government meets corporate welfare*, by Steven Greenhut (*The Orange County Register*, September 27, 2008) ([view](#))

“ "Voting against the bill -- against putting taxpayers' money at risk in order to clean up a mess that some people got rich by making -- was easy, but not necessarily wrong. The \$700 billion figure exaggerated the plan's probable cost but accurately measured something worse -- the enormous enlargement of government's power." ”

From *A Vote Against Rashness*, by George F. Will (*The Washington Post*, October 1, 2008) ([view](#))

## Mixed on this position

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“ I am not writing to criticize Treasury Secretary Henry Paulson. I respect his business judgment greatly, and his unenviable task is to find a short-term solution to problems grown by government over the long term. Whether his proposals are right or wrong is less the issue than the question of where we are, as a society, in terms of having government in the business of protecting people from their own financial decisions.” ”

From *A Bailout for All Our Bad Decisions?*, by Mark Sanford (*The Washington Post*, September 26, 2008) (view)

“ And if the Treasury’s authority were scaled down to something more in proportion to the size of the asset market it claims to address — say \$350 billion — must that authority be granted all those dollars at once? Couldn’t we start with \$100 billion and see how it goes, and go back later for more if necessary?” ”

From *Of Interventions and Conservative Principles*, by Donald Luskin (*National Review*, September 23, 2008) (view)

“ There are no provisions for — or even promises of — disclosure, accountability or transparency. Surely Congress can at least ask some hard questions about such an open-ended commitment. And I’ve been shocked by the number of (mostly conservative) experts I’ve spoken with who aren’t at all confident that the Bush administration has even the basics right — or who think that the plan, though it looks simple on paper, will prove to be a nightmare in practice.” ”

From *A Fine Mess*, by William Kristol (*The New York Times*, September 21, 2008) (view)

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