

Article Printed from Senator Sanders Website - Sanders.Senate.Gov

Sanders Op-Ed: Billions for Bailouts! Who Pays? -- 09/19/2008

By Senator Bernie Sanders

The current financial crisis facing our country has been caused by the extreme right-wing economic policies pursued by the Bush administration. These policies, which include huge tax breaks for the rich, unfettered free trade and the wholesale deregulation of commerce, have resulted in a massive redistribution of wealth from the middle class to the very wealthy.

The middle class has really been under assault. Since President Bush has been in office, nearly 6 million Americans have slipped into poverty, median family income for working Americans has declined by more than \$2,000, more than 7 million Americans have lost their health insurance, over 4 million have lost their pensions, foreclosures are at an all time high, total consumer debt has more than doubled, and we have a national debt of over \$9.7 trillion dollars.

While the middle class collapses, the richest people in this country have made out like bandits and have not had it so good since the 1920s. The top 0.1 percent now earn more money than the bottom 50 percent of Americans, and the top 1 percent own more wealth than the bottom 90 percent. The wealthiest 400 people in our country saw their wealth increase by \$670 billion while Bush has been president. In the midst of all of this, Bush lowered taxes on the very rich so that they are paying lower income tax rates than teachers, police officers or nurses.

Now, having mismanaged the economy for eight years as well as having lied about our situation by continually insisting, "The fundamentals of our economy are strong," the Bush administration, six weeks before an election, wants the middle class of this country to spend many hundreds of billions on a bailout. The wealthiest people, who have benefited from Bush's policies and are in the best position to pay, are being asked for no sacrifice at all. This is absurd. This is the most extreme example that I can recall of socialism for the rich and free enterprise for the poor.

In my view, we need to go forward in addressing this financial crisis by insisting on four basic principles:

(1) The people who can best afford to pay and the people who have benefited most from Bush's economic policies are the people who should provide the funds for the bailout. It would be immoral to ask the middle class, the people whose standard of living has declined under Bush, to pay for this bailout while the rich, once again, avoid their responsibilities. Further, if the government is going to save companies from bankruptcy, the taxpayers of this country should be rewarded for assuming the risk by sharing in the gains that result from this government bailout.

Specifically, to pay for the bailout, which is estimated to cost up to \$1 trillion, the government should:

- a) Impose a five-year, 10 percent surtax on income over \$1 million a year for couples and over \$500,000 for single taxpayers. That would raise more than \$300 billion in revenue;
- b) Ensure that assets purchased from banks are realistically discounted so companies are not rewarded for their risky behavior and taxpayers can recover the amount they paid for them; and
- c) Require that taxpayers receive equity stakes in the bailed-out companies so that the assumption of risk is rewarded when companies' stock goes up.

(2) There must be a major economic recovery package which puts Americans to work at decent wages. Among many other areas, we can create millions of jobs rebuilding our crumbling infrastructure and moving our country from fossil fuels to energy efficiency and sustainable energy. Further, we must protect working families from the difficult times they are experiencing. We must ensure that every child has health insurance and that every American has access to quality health and dental care, that families can send their children to college, that seniors are not allowed to go without heat in the winter, and that no American goes to bed hungry.

(3) Legislation must be passed which undoes the damage caused by excessive de-regulation. That means reinstalling the regulatory firewalls that were ripped down in 1999. That means re-regulating the energy markets so that we never again see the rampant speculation in oil that helped drive up prices. That means regulating or abolishing various financial instruments that have created the enormous shadow banking system that is at the heart of the collapse of AIG and the financial services meltdown.

(4) We must end the danger posed by companies that are “too big to fail,” that is, companies whose failure would cause systemic harm to the U.S. economy. If a company is too big to fail, it is too big to exist. We need to determine which companies fall in this category and then break them up. Right now, for example, the Bank of America, the nation’s largest depository institution, has absorbed Countrywide, the nation’s largest mortgage lender, and Merrill Lynch, the nation’s largest brokerage house. We should not be trying to solve the current financial crisis by creating even larger, more powerful institutions. Their failure could cause even more harm to the entire economy.
