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Remarks of Senator Barack Obama: The Fed/Treasury Plan

Miami, FL | September 19, 2008

We are facing one of the most serious financial crises in this nation's history. The events of the last week - from the failure of Lehman to the bailout of AIG to the continued volatility of the market - have not just threatened the trading floors and high-rises of Wall Street, but the stability and security of our entire global economy. Across this country, Americans are worried about whether they can make their mortgage payments, or keep their jobs, or ensure that their retirement is secure. Truly, we are all in this together.

Our government and the Federal Reserve have already taken unprecedented action to prevent a deepening of this crisis that could jeopardize the life savings and well-being of millions of Americans. But it is now clear that even bolder and more decisive action is necessary.

In recent years, I have outlined plans that would have helped prevent the problems we now face, and yesterday I proposed the outlines of a plan that would establish a more stable and permanent solution to strengthen our financial system. Today, I fully support the effort of Secretary Paulson and Federal Reserve Chairman Bernanke to work in a bipartisan spirit with Congress to find this kind of solution.

What we're looking at right now is to provide the Treasury and the Federal Reserve with as broad authority as necessary to stabilize markets and maintain credit. We need a more institutional response to create a system that can manage some of the underlying problems with bad mortgages, help homeowners stay in their homes, protect the retirement and savings of working Americans.

In the coming days, I will more closely examine the details of the Treasury and Fed proposal, and as I do, I'll work to ensure that it provides an effective emergency response by including four basic principles that my economic advisors and I just discussed this morning.

First, we cannot only have a plan for Wall Street. We must also help Main Street as well. I'm glad that our government is moving so quickly in addressing the crisis that threatens some of our biggest banks and corporations. But a similar crisis has threatened families, workers and homeowners for months and months and Washington has done far too little to help.

For too long, this Administration has been willing to hit the fast-forward button in helping distressed Wall Street firms while pressing pause when it comes to saving jobs or keeping people in their homes. We already know that the credit crisis that has emerged from our largest financial institutions is becoming a credit crunch for small business owners, homeowners, and students seeking loans in big cities and small towns. Now that American taxpayers are being called on to share in this new burden, we must take equally swift and serious action to help lift the burdens they face every day.

In the same bipartisan spirit that is being shown with regard to the crisis on Wall Street, I ask Senator McCain, President Bush, Republicans and Democrats to join me in supporting an emergency economic plan for working families - a plan that would help folks cope with rising gas and food prices, spark job creation through repair of our schools and roads, help states and cities avoid painful budget cuts and tax increases, help homeowners stay in their homes, and provide retooling assistance for America's auto industry. John McCain and I can continue to argue about our different economic agendas for next year, but we should come together now to work on what this country urgently needs this year.

The second principle I would like to see in the emerging plan from the Treasury and the Fed is that our approach should be one of mutual responsibility and reciprocity. It must not be designed to reward particular companies or the irresponsible decisions of borrowers or lenders. It must not be designed to enhance the personal gain of CEOs and management. The recklessness of some of these executives

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has helped cause this mess, even as they walk away with multimillion dollar golden parachutes while taxpayers are left holding the bag. As taxpayers are asked to take extraordinary steps to protect our financial system, it is only appropriate that those who benefit be expected to contribute to the protection of American homeowners and the American economy. Just as support is not designed to payoff egregious executive compensation, it should not reward those who are ruthlessly foreclosing on American families.

Third, this plan must be temporary and coupled with tough new oversight and regulations of our financial institutions, and there must be a clear process to wind down this plan and restore private sector assets into private sector hands after restoring stability to the system. Taxpayers must share in any upside benefit that such stability brings.

Fourth, this plan should be part of a globally coordinated effort with our partners in the G-20. This is a worldwide issue, and while the United States can and will lead in stabilizing the credit markets, we should ask other nations, who share in this crisis, to be part of the solution as well.

One last point. We did not arrive at this crisis by some accident of history. What led us to this point was years and years of a philosophy in Washington and on Wall Street that viewed even common-sense regulation and oversight as unwise and unnecessary; that shredded consumer protections and loosened the rules of the road. CEOs and executives got reckless. Lobbyists got what they wanted. Politicians in both parties looked the other way until it was too late. And it is the American people who have paid the price. The events of this week have rendered a final verdict on that failed philosophy, and it will end if I am President of the United States. We must build upon the ideas I have laid out over the last several years about how to modernize our financial regulation in this country, and establish commonsense rules of the road for our financial system to help restore confidence in our financial system.

Finally, given the gravity of this situation, and based on conversations I have had with both Secretary Paulson and Chairman Bernanke, I will refrain from presenting a more detailed blue-print of how an immediate plan might be structured until I can fully review the details of the plan proposed by the Treasury and the Federal Reserve. It is critical at this point that the markets and the public have confidence that their work will be unimpeded by partisan wrangling, and that leaders in both parties work in concert to solve the problem at hand.

I know these are difficult days. And I know there are a lot of families out there right now who are feeling anxiety - about their jobs, about their homes, about their retirement savings. But here's what I also know. This isn't a time for fear or panic. This is a time for resolve and for leadership. I know we can steer ourselves out of this crisis. That's who we are. That's what we've always done as Americans. Our nation has faced difficult times before. And at each of those moments, we've risen to meet the challenges as one people, and one nation. That is the America we need to be and can be today.

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