

1 **JOINT RESOLUTION URGING CONGRESSIONAL**
2 **AND PRESIDENTIAL OPPOSITION TO FEDERAL BAILOUTS**
3 **AND PROMOTION OF FISCAL RESPONSIBILITY**

4 2009 GENERAL SESSION

5 STATE OF UTAH

6 **Chief Sponsor: Craig A. Frank**

7 Senate Sponsor: _____

9 **LONG TITLE**

10 **General Description:**

11 This joint resolution of the Legislature urges Congress to oppose bailout legislation and
12 take actions to prevent the factors leading to the recession.

13 **Highlighted Provisions:**

14 This resolution:

- 15 ▶ urges Congress to oppose any and all future government bailout legislation;
- 16 ▶ recognizes members of Congress who have opposed legislation seeking to bailout
17 American industries and to nationalize American companies;
- 18 ▶ urges Congress to reassert its constitutional authority over Federal spending and
19 mandate that the Federal government should not be involved in purchasing stocks,
20 assets, or interests of private organizations;
- 21 ▶ urges the Federal government to abolish government-sponsored entities and allow
22 private companies to freely choose to engage or not engage in the secondary
23 mortgage markets;
- 24 ▶ urges Congress to identify the government programs and policies which have led to
25 the current economic crisis and to revise or repeal them in favor of governmental
26 policies which promote free enterprise and free markets;
- 27 ▶ urges Congress and the President to commit to stop spending money that the



28 government does not have and to firmly commit to stop devaluing U.S. currency through
29 inflationary expansion of the money supply; and
30 ▶ urges Congress and the President to take steps to avoid the inflation and stagflation
31 experienced in the 1970s.

32 **Special Clauses:**

33 None



35 *Be it resolved by the Legislature of the state of Utah:*

36 WHEREAS, America is embroiled in an economic crisis which threatens to become a
37 prolonged recession;

38 WHEREAS, this crisis began when government created Fannie Mae and Freddie Mac,
39 also known as Government Sponsored Entities (GSEs) and crafted rules, regulations, and edicts
40 that allowed these GSEs to create moral hazard incentives for financial institutions to lower
41 their underwriting standards and issue risky sub-prime loans;

42 WHEREAS, by issuing these loans, the GSEs allowed financial institutions to secure
43 all of the profits on sub-prime loans while transferring all of the inherent risks onto the backs
44 of American taxpayers;

45 WHEREAS, subsequent government edicts like the Community Reinvestment Act of
46 1977 were crafted to allow activist attorneys to force otherwise responsible financial
47 institutions to issue mortgages to low-income, credit-risky individuals on homes they could not
48 afford;

49 WHEREAS, as an alleged remedy to this economic crisis, the United States Secretary
50 of the Treasury proposed the Emergency Economic Stabilization Act of 2008 (Act) which
51 authorized the Treasury Secretary to purchase distressed assets, especially mortgage-backed
52 securities, in an attempt to bail out the financial industry from the consequences of its own
53 poor decisions and the consequences of government edicts;

54 WHEREAS, the United States Senate added one hundred fifty million dollars in
55 additional unnecessary spending to the Act;

56 WHEREAS, by adopting the Act, Congress abdicated its constitutionally appointed
57 financial responsibilities and allowed federal tax dollars to be allocated and spent at the whim
58 and pleasure of the unelected Treasury Secretary who, during the previous decade, aggravated

59 and furthered the moral hazards created by GSEs by advocating and lobbying for the
60 deregulation of mandatory reserve limits;

61 WHEREAS, this deregulation allowed financial institutions to overextend and
62 over-leverage their credit in pursuit of toxic assets like Mortgage Backed Securities and other
63 credit derivatives that were being packaged and offered by GSEs;

64 WHEREAS, over-leveraged institutions then secured all of the temporary profits on
65 toxic assets while transferring all of the long term, inherent risks away from the institutions and
66 onto the backs of American taxpayers;

67 WHEREAS, less than seven days after Congress abdicated its responsibilities, the
68 Treasury Secretary announced that he would no longer purchase distressed assets by way of
69 auction as he had previously testified to Congress that he would do, and that he would instead
70 "inject equity" directly into banks, a process that effectively nationalized a significant portion
71 of the nation's banking system, moving the free market-based economy another step closer
72 toward unconstitutional socialism;

73 WHEREAS, by changing course away from purchasing distressed assets "by way of
74 auction," the Treasury Secretary intentionally circumvented congressional provisions against
75 the Act money used for executive bonuses because the Act stipulated that the anti-bonus
76 provisions would only apply to companies whose assets were purchased by way of auctions;

77 WHEREAS, after receiving taxpayer money from the Act, banks are now using the
78 funds to both lobby Congress and pay dividends to their shareholders;

79 WHEREAS, despite congressional intent to use funds from the Act to help the
80 American economy, the Treasury Secretary knowingly allowed Bank of America to use seven
81 billion dollars from the Act to buy a 20% share of a bank in China, effectively diverting federal
82 tax dollars away from the American economy, while at the same time Bank of America is
83 planning to lay off up to 35,000 American workers;

84 WHEREAS, on December 19, 2008, President Bush and the unelected Treasury
85 Secretary created a 17.4 billion auto bailout package for Chrysler and General Motors,
86 diverting money at the whim and pleasure of the Treasury Secretary away from the funds
87 Congress intended only for purchase of distressed banking assets;

88 WHEREAS, the auto bailout package will not make the automobile industry solvent
89 because it does not address the underlying cause of the industry's financial difficulties;

90 WHEREAS, it has been stipulated that Chrysler and General Motors must prove they
91 are financially viable by March 31, 2009 or face the possibility of the recall of the funds
92 extended to them;

93 WHEREAS, President Obama is under no obligation to insist that Chrysler and General
94 Motors meet this obligation;

95 WHEREAS, the United Auto Workers Union is already calling on the President to
96 reject the wage reduction requirements currently spelled out in the auto bailout package;

97 WHEREAS, as of January 2009, only 297 financial institutions out of the more than
98 8,500 located nationwide had received capital injections from the Act;

99 WHEREAS, seven of those institutions had received more than 62% of the total
100 amount of allocated funds from the Act, and only automobile manufacturers located in
101 Michigan have received government bailouts while other United States automobile
102 manufacturers located in the southern United States have not;

103 WHEREAS, the Federal government, which is supposed to be impartial, appears to be
104 taking sides and creating winners and losers by picking and choosing which banks, which auto
105 manufacturers, and which industries to bailout and which ones to let flounder;

106 WHEREAS, the cost of the bailouts to the American taxpayers is potentially 8.5 trillion
107 dollars;

108 WHEREAS, the national debt ceiling has so far risen from 10 trillion dollars to 11.3
109 trillion dollars and is likely to continue to rise, further weakening the economy;

110 WHEREAS, since January 2007, prior to the bailouts, Congress had already been
111 authorizing 2.8 billion dollars of additional deficit spending per day, proving beyond question
112 that deficit spending as an economic stimulus strategy fails to forestall economic recession,
113 fails to protect American jobs, fails to make American companies more competitive, and fails
114 to relieve the tax burden on American taxpayers;

115 WHEREAS, none of the subsequent bailouts have forestalled the economic recession,
116 protected American jobs, made American companies more competitive, or relieved Americans'
117 tax burdens, but rather have threatened to deepen the economic recession and have increased
118 the national debt and the burden faced by the American taxpayer;

119 WHEREAS, the bailout has failed to rescue the financial industry from decline and
120 resulted in investors withdrawing over 127 billion dollars from U.S. stock and bond mutual

121 funds in a single 30-day span after passage of the bailouts;

122 WHEREAS, this has resulted in an overall loss of 24.1% of market value in the three
123 months between the passage of the bailouts and the inauguration of the current President;

124 WHEREAS, because the Federal government entered 2008 with its 10th consecutive
125 deficit budget, it is evident that the government has no money or reserves available to apply to
126 these bailouts in 2008;

127 WHEREAS, because the collective American citizenry has had a negative savings rate
128 over the past two years, it is self evident that there was an insufficient supply of American
129 savings available for the government to borrow for the bailouts;

130 WHEREAS, the only two ways the government can pay for the bailouts is to first
131 borrow money from foreign governments and entities or print fiat money;

132 WHEREAS, it is inevitable that increasing the national debt by borrowing from foreign
133 entities will require ever larger annual sums to service the debt, causing debt service to
134 increasingly compete for future revenues and diminish the nation's ability to address future
135 national problems;

136 WHEREAS, it is inevitable that the nation will soon experience massive inflation, a
137 hidden government tax, to pay for the bailouts because the Fed has been expanding the
138 monetary base by more than 11 billion a day since September 2008 and has increased the
139 monetary base by 79% since October 2007, though the U.S. economy has not expanded by that
140 amount during the same period;

141 WHEREAS, this has resulted in an historically unprecedented "run rate" -- the increase
142 of dollars in circulation -- on an annualized basis of 36% per year; and

143 WHEREAS, it is wrong to mortgage our children's future, to saddle future generations
144 with foreign debt incurred and consumed by today's Congress, and to levy a hidden tax on
145 American citizens by devaluating and inflating their currency:

146 NOW, THEREFORE, BE IT RESOLVED that the Legislature of the state of Utah calls
147 upon all members of the United States Congress to oppose any and all future proposed bailouts
148 that might come before Congress.

149 BE IT FURTHER RESOLVED that the Legislature recognizes the members of
150 Congress who have so far opposed legislation seeking to bailout American industries and to
151 nationalize American companies.

152 BE IT FURTHER RESOLVED that the Legislature calls upon all members of Congress
153 to reassert their constitutional authority over Federal spending and mandate that the Federal
154 government should not be involved in purchasing stocks, assets, or interests of private
155 organizations.

156 BE IT FURTHER RESOLVED that the Legislature calls upon the Federal government
157 to abolish government-sponsored entities like Fannie Mae and Freddie Mac and allow private
158 companies to freely choose to engage or not engage in the secondary mortgage markets as they
159 see fit and be subject to the demands of the marketplace without misguided government
160 interference.

161 BE IT FURTHER RESOLVED that the Legislature calls upon Congress to identify the
162 government programs and policies which have led to the current economic crisis and to revise
163 or repeal them in favor of governmental policies which promote free enterprise and free
164 markets.

165 BE IT FURTHER RESOLVED that the Legislature calls upon Congress and the
166 President to restore worldwide confidence in the United States Government by firmly
167 committing to stop spending money that the government does not have and by firmly
168 committing to stop devaluing U.S. currency through inflationary expansion of the nation's
169 money supply.

170 BE IT FURTHER RESOLVED that the Legislature urges Congress and the President to
171 take the appropriate steps so that the nation will not see the return to the massive double digit
172 inflation and stagflation that the economy experienced in the 1970s.

173 BE IT FURTHER RESOLVED that a copy of this resolution be sent to the President of
174 the United States, the Majority Leader of the United States Senate, the Speaker of the United
175 States House of Representatives, the United States Treasury Secretary, and to the members of
176 Utah's congressional delegation.

Legislative Review Note
as of 2-4-09 3:41 PM

Office of Legislative Research and General Counsel

Fiscal Note

**H.J.R. 17 - Joint Resolution Urging Congressional and Presidential
Opposition to Federal Bailouts and Promotion of Fiscal Responsibility**

2009 General Session

State of Utah

State Impact

Enactment of this bill will not require additional appropriations.

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments.
