

The Best Government Money Can Buy

By Jason Leavitt

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There was some discussion on the Leavitt Brothers message board today about the failure of the proposed bailout to pass the House. Why didn't it pass? Was the vote along party lines? The results that the LB community came up with are extremely interesting or extremely disgusting – depending on your point of view.

The vote was not along **party lines**; here are the totals.

AYES: Democratic: 140, Republican: 65, TOTAL: 205

NOES: Democratic: 95, Republican: 133, TOTAL: 228

NO VOTE: Republican: 1, TOTAL: 1

60% of Dems voted in favor while only 33% of Reps did the same. That's a noticeable difference but hardly extreme.

So perhaps the outcome was determined by **who's up for re-election** this year. The thought being, if up for re-election, you're very likely to vote against it, but if you're not up for re-election, although you don't agree with everything in the bill, you vote for it. Sounds nice, but all 435 members of the House are up for re-election. They only serve 2-year terms.

So the next possibility is **campaign contributions**. Is it possible those who received large donations from the financial sector were more likely to vote in favor of the bill while those who voted against it were voting based on the bill's merit, not on whether they'd piss off a large donor? Shockingly, or not so shockingly, the answer is yes.

'Yes' votes largely came from House members who took more from Wall Street.

Here's a story published by MarketWatch (marketwatch.com)

Money and Politics Met on Bailout

Sep 30, 2008

NEW YORK (MarketWatch) -- Bailout backers wouldn't have been swayed by Wall Street money, would they?

On average, representatives that voted for the Wall Street bailout package received more campaign contributions from financial firms by a 2-to-1 margin than members who voted against the bailout, according to a Maplight.org study of data from the Center for Responsive Politics.

While the study doesn't exonerate House Speaker Nancy Pelosi from charges she riled up opponents, it does suggest there may have been more at play than angry constituents.

The study examined financial donations from 2003 to August 2008. Donors included commercial banks, savings and loans, and investment banks, credit unions, finance companies, stock exchanges, venture capital and private equity firms, hedge funds, and securities and commodities brokers and firms. The breakdown went something like this:

- House members who voted yes received an average \$231,877. Those who voted no received only \$150,982.
- Democrats who voted yes received \$212,700. Republican supporters received \$273,181.
- No-vote Democrats received only \$107,993. Republicans who voted no received \$181,688.

"Profit-driven companies wouldn't be making campaign contributions if it didn't buy them influence or access," Daniel Newman, MAPLight.org's executive director said in a statement. "Votes in Congress align with the river of money that flows through our political system."

Should a revamped H.R. 3997 come through the U.S. House again this week, it may be revealing to count the money as well as the votes.

So it appears as if votes were not based on principals but instead on a hidden battle between listening to one's constituents vs. one's campaign contributors. My guess is the donors will win. Money can buy a lot of political ads which draw attention away from one's voting record.

Here's a slightly longer report put out by Reuters that hints at the inner workings of Washington.

Business hits back after Congress bailout vote

Sep 29, 2008

By Kevin Drawbaugh (additional reporting by Karey Wutkowski; Editing by Tim Dobbyn)

WASHINGTON (Reuters) - Business lobbyists scolded the U.S. Congress and threatened political payback after lawmakers handed the financial services industry a stunning defeat by killing a \$700-billion Wall Street bailout.

The vote Monday in the House of Representatives to reject the rescue plan, proposed by the Bush administration September 20 and modified by congressional leaders over the past week, came as a rude shock to powerful and deeply entrenched interests.

Major banks and executives from the financial sector overall donate heavily to political campaigns and spend a lot of money on government lobbying to push their agenda.

The titans of high finance don't always get their way on Capitol Hill, but the 228-205 House vote was unexpected and drew a flurry of private sector counter-punches.

The U.S. Chamber of Commerce, the nation's largest business lobbying group and a vocal bailout proponent, responded quickly after the vote with a letter to all members of Congress.

"Make no mistake: when the aftermath of congressional inaction becomes clear, Americans will not tolerate those who stood by and let the calamity happen," said the letter, urging reconsideration and passage of "financial rescue legislation."

"The chamber will score votes on, or in relation to, this issue in our annual 'How They Voted' scorecard," it said.

House members who supported the bailout have received about 50 percent more in campaign contributions from the finance, insurance and real estate sectors in their congressional careers than those who opposed the emergency legislation, said a campaign finance watchdog group after the vote.

The Center for Responsive Politics, using data going back to 1989, said members of Congress who helped defeat the bailout had, on average, collected nearly \$590,000 from the industries most affected over their careers, while the bailout bill's supporters had received \$883,000.

VERY DISAPPOINTED

Securities Industry and Financial Markets Association President Tim Ryan called the vote in the House "very disappointing" in a statement afterward.

Ryan's association, which represents large financial firms, sent an alert to its members on Monday morning urging them to pressure lawmakers in the House to approve the bailout.

Even software group Microsoft Corp weighed in on the issue. General Counsel Brad Smith issued a statement urging the House "to reconsider and to support legislation that will re-instill confidence and stability in the financial markets."

The bailout called for spending a fortune in taxpayer money to buy up broken financial assets created by Wall Street banks back when it looked like home prices had nowhere to go but up.

Now that the real estate bubble has popped, many financial institutions are sitting on bad debts they cannot value or sell and the situation is locking up global capital markets.

Advocates of the package argued it was needed to address a crisis that, if allowed to spread, would damage the economy.

In debate on the House floor before the vote, Connecticut Republican Rep. Christopher Shays said, "While this is not 1929 all over again, it could be if we step aside ... We are witnessing the economy coming to a grinding halt."

The bailout proposal represented a huge bet that buying up the broken assets and dumping them into a government portfolio would unlock the markets and get capital flowing again.

"Voting against this is a complete mistake in terms of misreading where the economy is right now," Bruce Josten, executive vice president for government affairs at the U.S. Chamber of Commerce, told Reuters in an interview.

The Financial Services Forum, which also represents financial interests, urged lawmakers to work together to pass this critically important legislation. "Swift action must occur to get the U.S. economy on the road to recovery and economic growth."

But skeptics in both parties, during House floor debate, questioned the need for the bailout and whether it would work.

Both supporters and opponents complained about the way the administration presented the proposal as an urgent demand, accompanied by warnings of potential economic collapse, after years of sky-rocketing Wall Street bonuses, abusive mortgage lending, and regulatory neglect by the administration.

"This isn't legislation. This is extortion," said Florida Republican Rep. Ginny Brown-Waite. "This is so embarrassing it turns the stomach of most Americans."

So I guess if the bailout package eventually passes, we can say **America has the best government money can buy.**

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