

For Immediate Release

SHARING A VIEW OF THE STATE

October 3, 2008

Issues and Comments – 33rd Senatorial District

Senator

Chuck Purgason

Although the current bailout program that is now being discussed in our nation's capitol is a federal issue that is being dealt with by our elected United States Congressmen and United States Senators, it has generated calls into my office and does effect the state in the long term.

In our state budget, approximately two-thirds of our overall budget is made up of federal funds. This makes it much harder every year to put together our state budget because, unlike the federal government, our state constitution requires us to produce a balanced budget. So, in other words, the state has to have money in the bank to fund our programs while the federal government can deficit spend. The federal government provides funds by borrowing and printing money. With the federal government in turmoil, this will affect our state's budget in many ways through inflation and the value of the dollar.

Even though I do not vote on the bailout, I have been asked several times what my opinion of the plan is. I have done what each and everyone of us should do, contact our federal elected officials with questions, concerns, and opinions. Although, to be fair, I do not have all the information that our federal officials have access to, but I do have a basic idea of economics and of the government's ability to solve tough problems.

The first thought that comes to my mind is something that my dad told me one time. He said that you should never let your dog watch your supper and never let congress watch your money. Another thought is: how can you expect that the same people who got us into this mess and who will be responsible for overseeing these changes will now suddenly show great intelligence and solve the problem? That reminds me of the definition of insanity: doing the same thing over and over again and expecting different results.

Although many of our top minds and economists are looking into this issue, I

have not had one answer another question that I have. If we are going to buy these so called toxic loans from failing banks, put the federal government into the mortgage business, then at some point sell these loans and hopefully realize no cost or even a profit to taxpayers, then these toxic items do have value. If they have value, why do we have to buy the toxic loans from the banks in the first place?

If banks need money for Wall Street and Main Street to continue to operate, then loan the money to the banks at the value of the loans and let them pay interest. Let the banks work their way out of this mess and don't put the government and taxpayers' money on the line.

As you can see by the questions I have, I am very skeptical as to whether or not this will solve our problem. I'm not sure the real reason for the bailout isn't that many of these so called toxic loans have been sold to the foreign banks and countries that loan us money. We have borrowed from them in order to continue to deficit spend and these countries have told us to make these loans good or they will take away Congress' credit card and not loan the United States any more money.

I think that is the real crisis and it would require Congress to balance its budget. An everyday occurrence for us, but a catastrophe for the politicians that use it to buy votes and support. I do not think that this bailout will begin to solve our financial crisis because the overall goal is to free up credit in order for consumers to buy more on credit. It seems that we could be trading a short-term pain for a much longer lingering pain because we refuse to deal with the real root of our financial problems.

I could go on and on but it's suppertime and my dog is staring at my meal. As always, please feel free to contact me at 573-751-1882, write to me at the Missouri Senate, 201 West Capitol Avenue, Room 420, Jefferson City, MO 65101, or e-mail to chuck.purgason@senate.mo.gov.