

## **An Interview With Senator Jim DeMint (R-SC) On The Bailout Crisis**

John Hawkins of *Right Wing News*

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I got together this afternoon for a short interview with Jim DeMint, the man who could fairly be called the conservative leader of the Senate, to hear what he has to say about the bailout. What follows is the slightly edited transcript of our conversation.

### **Did Congress help create this problem and if so, how?**

...Congress passed a law back in the late seventies that required banks to make subprime loans to...

### **The Community Reinvestment Act?**

Yes. It required the banks to make loans to people who couldn't afford them as part of our social programming. Congress also created Fannie Mae and Freddie Mac to buy mortgages from banks all over the country. Since these were, in effect, guaranteed by the federal government, they didn't pay much attention to the credit worthiness of the borrower or the value of the asset.

What happened over the years is Fannie Mae and Freddie Mac together processed over 5 trillion dollars worth of loans and sold them as securities all over the world. This easy credit inflated the cost of homes and created over-building and an over-supply of homes until we finally hit a wall. The values of people's homes started to go down, which means the mortgages were over-priced. Now these banks want to unload these securities in order to have money to loan.... but they can't sell them for what they got them for.

The biggest creditor is China and that's a big part of this equation that's not being talked about. If America was not in such deep debt, we could deal with this problem much more effectively -- but China has essentially told the U.S. that we make good on all the debt that they're holding, which is nearly a trillion dollars, or they're going to stop lending us money. To show that they're serious, they've already stopped lending us money and if we can't borrow money every day, literally hundreds of billions of dollars, we default on the loans that are coming due.

So, this is a house of cards that the government has created and my biggest frustration with this whole mess is that it is being blamed on free enterprise, capitalism, and corporate greed -- when in fact, this is a good example of what happens when the government gets involved in the private sector. It created a huge mess.

### **Now, do you support the bailout?**

No, I don't support it and I probably won't support it in any form. It should not have come to this. We knew this was coming and we didn't do anything about it. For years, a number of people, John McCain is one, have tried to change this system, but the Democrats have consistently protected Fannie Mae and Freddie Mac -- and some Republicans have been complicit in this easy credit game that we had going.

What I am trying to do is to cause enough anger and uproar through blogs, radio talk shows, and TV interviews that I am doing so that people will at least get their congressmen and senators to listen to some kind of alternative to what's been proposed that would keep us within the constitutional framework that we've sworn to uphold.

We can't have the government buying parts of companies, buying stocks, mortgages, selling those in the markets, and becoming a real player in the financial markets. We could do the same thing they're trying to do with insurance products, loan guarantees, things that have been used before with banks that assure the value of their assets, so they continue to do business. We can even get the banks to pay for that insurance -- but apparently, Secretary Paulson has promised Wall Street that we're going to come in and buy their assets at above market rates so they can come out like bandits.

The problem we have here is that by the government essentially promising to come in and do that, it is causing the credit markets to seize up. They're waiting for a government infusion of funds. They're waiting for the government to buy at a higher market rate, so they're not operating and credit is closing down in America. It's a self fulfilling prophecy...

**Now you said you were hoping the blogs would do something. I can tell you that people are furious about this. I know at my blog, I did a poll and 85% of the people opposed this. People think they're being asked to throw their money away on a massive scale to pay the bills for people who behaved irresponsibly. Are they right?**

They're exactly right. People are mad. I am getting hundreds of calls a day and it's 100 to 1 against this. ...Even banks like BB&T say that they don't want this because they know what it means: the government is going to get involved in their business whether they take their money or not....

So, people have every right to be angry and that anger needs to continue.... We've seen that Americans getting angry and involved helped us defeat this whole amnesty proposal and it helped us spotlight wasteful earmarks, which we're making some progress on. It has brought the energy issue to the point where we have backed the Democrats down from this drilling moratorium. We're making progress on this bailout.

...The problem we have politically is that the President wants this so that he's not the President who presides over a catastrophe. He's willing to give the Democrats all the regulations and intrusions in the market that they want if they will help him pass it.

**Last question, the House Republicans are holding up the whole thing, thank goodness, and they're pushing to do something you suggested earlier, setting this up as an insurance deal...is that what we should be doing right now?**

We should. We need to do this in a way that may have the government more involved than I want them to be, but at least they're not taking ownership and playing in the market -- things that we have known since the beginning of our country were wrong and not constitutional.

So, the House Republicans here are the champions. They're the heroes. No one can blame them for holding this up because if the Democrats believe this is the right thing to do they can pass it

in an hour. There are not enough Republicans in the House to stop them. In the House, if you're in the majority, you can ram something through regardless...

They're right and I've been hoping that McCain would come out and back that plan idea and not back the Paulson plan. I think it would separate him from Bush and really help, but so far we have not heard him say that. So, we'll just have to wait and see.

But, this is just an example of our government out of control and we need to rein them in and it will take a big effort by the American people.

**Mr. DeMint, thank you for your time!**