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Vt. Treasurer is worried about ripple effect here

By Bruce Edwards Rutland Herald

State Treasurer Jeb Spaulding weighed in Tuesday on the financial meltdown warning that the fallout has already been felt in other states making it difficult for major companies, municipalities and nonprofit groups to borrow money.

Vermont banks and credit unions say they have money to lend. But Spaulding said that while the average Vermonter may not have experienced the credit drought, it will be only a matter of time before the ripple effects hit the state.

"What I'm seeing is those that need to access the capital markets at more than just a small business loan or a home mortgage kind of a situation, that the short-term borrowing rates have gone up substantially," Spaulding said. "They've in many cases quadrupled in the past few weeks and that makes it much more expensive for larger businesses, nonprofits and municipalities to access money."

Spaulding said Congress needs to pass a comprehensive bill that will help stabilize the financial markets to free up credit. He said while he understands that many Vermonters are angry at Wall Street, not passing a bailout bill will lead to a more serious recession. He pointed to Massachusetts as a case in point. He said even at high interest rates, Massachusetts has not been able borrow all the short-term money it needs for local school aid.

It's Vermont's good fortune, he said, that the state is not going to the bond market in the present environment.

"Many states are shelving bond issues intended to finance infrastructure projects because for all intents and purposes the municipal bond market is not operating," he said.

He said the state is not scheduled to go to the bond market until November, while the Vermont Municipal Bond Bank went to the market in July to fund city and town projects.

Spaulding said the fallout from Congress' inability to get a bailout bill passed is likely to be widespread. "I'm sure that there are entities in Vermont that are facing significantly higher borrowing costs for their operating funds and that is likely to translate into jobs losses and ripple throughout the economy including housing, student loans and more," he said.

Spaulding said while a bailout is critical to stabilize the credit markets, it's not a panacea.

"I think it's going to take a long time to work through even with a congressional response," he said.

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