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STATE OF VERMONT
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State Treasurer Issues Statement on Need for Congress to Act Now

I understand that Vermonters are angry about the financial mess we are currently facing and not sure who to trust about what the appropriate government response should be. There is plenty of blame to be shared for the dilemma we are in. That can come later. Right now we need a bipartisan agreement in Congress to pass a comprehensive bill that will help to stabilize the financial markets sooner rather than later.

While it makes good sense to craft the proposal in a way that has the best chance of benefiting American citizens, hopefully phased in and as an investment, not just a bailout, I'm concerned the longer it takes to do so, the more serious the recession we face. Holding out for a perfect bill is risky business.

The gyrations in the stock markets are not what worry me most. It is the less visible, for now, inability of mainstream companies, non-profits, and municipalities to borrow working capital at realistic rates, if at all, to carry on basic activities. Short-term interest rates for working capital have more than quadrupled in the last few weeks. The municipal bond market is, for all intents, not operating. These challenges are certainly going to affect jobs, housing, student loans, and more. We are likely to find that the distance between Wall Street and Main Street is shorter than many think.

In just the past few days, Massachusetts has been unable to secure the full amount of short-term borrowing needed for local school aid, even at high interest rates. States are shelving bond issues that are intended to finance infrastructure projects. Businesses are accessing lines of credit not intended for routine operating funds. Pension funds cannot escape significant losses when global markets are sinking; those losses will mean higher tax-supported contributions. State revenues are certain to suffer further, with the resulting burden being transferred to Vermont citizens.

Nobody should be under the impression that any proposal passed by Congress will turn the serious economic situation around immediately. However, I believe a timely response to stabilize the credit markets by improving access to capital is a critical step on the road to economic recovery.