

Editorials



Linda Chavez



Better solution offered for the housing mess

With the housing mess threatening to send the economy into a tailspin, politicians are scrambling to come up with a quick fix. Senate leaders last week announced they've come up with a housing bailout bill, including a \$4 billion grant to local governments to buy foreclosed homes, authority for states to issue bonds for refinancing sub-prime mortgages, and a \$7,000 tax credit for those buying new homes or existing houses in foreclosure. The bipartisan compromise package will cost taxpayers plenty but does little to alleviate the real problem. That's because politicians are scared to death to put the blame where it belongs.

Everyone is willing to cry foul about the unscrupulous lenders who suckered borrowers into sub-prime loans that ballooned after a couple of years, making payments unaffordable for many. But what about borrowers who behaved irresponsibly in the first place? The fact is Americans have been living beyond their means for years, and now the bill has come due. As usual, we expect someone else to pay it.

Borrowers have gotten in trouble because they bought houses they couldn't afford, often with little or no down payment, and accepted loans that sounded too good to be true — and were. Banks used to tell prospective homeowners they could qualify for a loan on a home that was roughly three times their yearly salary. Banks also required 20 percent down. So, if a family earned \$75,000 a year, they could buy a \$225,000 house, but they had to have saved \$45,000 to put toward the house in order to qualify.

But at the height of the housing boom, some lenders were willing to lend borrowers five — even 10 — times their annual salary. And if the borrower didn't have the down payment, the lender would finance some or all of it, too, with a home equity loan. Even the closing costs on the sale — amounting to thousands of dollars — could be worked into the loan. To keep the payments within reach, lenders set very low interest rates for the first few years on adjustable rate mortgages, which then went up sharply. And those most likely to sign up for such loans were buyers with the worst credit histories who couldn't qualify for more traditional mortgages.

Economists and others warned of a housing bubble about to burst, but builders kept building — even when their new houses were sitting unoccupied for longer and longer periods. And existing homeowners refinanced their homes, taking out their rapidly inflating equity to buy new cars, furniture or vacations.

The whole process operated like a giant Ponzi scheme. Eventually there aren't enough new chumps to buy into the scheme to keep it going forever. And as soon as those adjustable mortgages started to skyrocket, borrowers who really couldn't afford to be buyers started falling behind in their payments.

Now Uncle Sam wants to ride to the rescue. But at whose expense? Those who will be most hurt by a bailout are the people who scrimped and saved for a down payment on a home they could afford and did without luxuries in order to pay their bills. No one is going to reimburse them for the fall in their home's value caused by this mess. Instead, they'll be paying higher taxes so someone who had lousy credit and didn't know how to save could afford to buy a home above their means.

The only thing the feds should do now is make it easier for borrowers with good credit histories to buy existing inventory. One of the most effective ways to do that would be to use tax policy to offer incentives to buyers. The Senate proposal includes a tax credit for individuals who buy houses in foreclosure or new, unsold inventory, but not much else.

One idea to spur more sales would be to allow individual investors to write off losses on rental property against other income. Under current law, if you own a house you rent out, you can only take losses against profits when you sell. Since the rent a landlord can charge often doesn't cover the entire mortgage, taxes, insurance and upkeep on the property, many landlords let houses fall into disrepair and aren't likely to buy newer houses to rent out.

Why not allow those individuals who can afford the down payment to invest that money in buying up existing houses to rent? If they could get even a partial tax deduction for the difference between the rent they receive and their expenses, it would make owning rental property a more attractive investment. And the government would eventually recoup the tax revenue when the house sold.

Many former homeowners are going to end up back in the rental market. We could help them — and the rest of us — by encouraging other buyers to purchase those homes as rental properties.

Linda Chavez is the author of "An Unlikely Conservative: The Transformation of an Ex-Liberal" and a columnist with Creators Syndicate.

From the Bible

"I am the light of the world. He who follows Me shall not walk in darkness, but have the light of life."

John 8:12



The regulation blues

The emerging theme is regulation, as in, don't we need more of it? Democrats certainly think we do. Treasury Secretary Henry Paulson's plan to overhaul the regulatory structure for financial institutions gives Democrats a vested interest in disliking it, or appearing to anyway, on account of its birthplace — the Bush administration.

As everyone who reads blogs or follows the Democratic presidential contest knows, one of the biggest raps on Bush is the administration's penchant, not for regulation of the economy but actually for — cover your eyes, children — deregulation, defined as the crumpling up of government oversight powers to the benefit of speculators and other grabby rich people.

The credit/subprime mortgage mess, matrix for the plan Paulson delivered last week, is the kind of mess you hope you don't have in a presidential year. That's because seekers of high office, or those who back particular seekers, incline to muscle-flexing in the face of challenge. A robust reputation for crisis-handling is supposed to strengthen an office-seeker's credentials.

No shrinking-violet measures will do! Shake 'em up, grab someone by the scruff of the neck — that's the ticket. Regulate, regulate! For instance, Hillary Clinton wants to freeze home foreclosures and cap credit card interest at 20 percent. Barack Obama, who believes that "government has an active role to play," delivered himself last weekend a detailed proposal for, among other things, "stabilizing macroeconomic and financial conditions for sustained growth" and "ensuring fair competition in the marketplace." Oh, yeah? "Sustained growth" meaning what exactly? "Fair competition" defined as ... ?

Paulson himself, of course, is on a regulatory roll. Some things clearly need shaking up. Which things? To what degree? With what consequences for general prosperity and the encouragement of risk-taking and innovation?

The laying down of a few markers would seem at this early stage an essential idea. This marker, for instance: Politicians should watch their demonstrated tendency to do too much rather than too little. It's the nature of political poker. You see a remedial plan and you raise. Where's the credit, after all, in merely acceding to someone else's plan?

A second marker: Regulation is going to hurt as well as help. Government regulation tells people what they can't, as opposed to shouldn't, do. What if gov-

Energy exploration endangered

The drive from Washington, D.C., to Philadelphia isn't long, but it's certainly becoming expensive. If gas continues its march toward \$4 per gallon, there's no telling how much the trip could cost. It was a worthwhile investment, though. My granddaughters were thrilled to visit the zoo, where they spent time studying polar bears.

The bears are thriving. They can live for 40 years in the zoo. Wild polar bears, meanwhile, live around 30 years, and are also doing well. There are an estimated 20,000-25,000 wild polar bears today, up from an estimated 8,000-10,000 in the late 1960s.

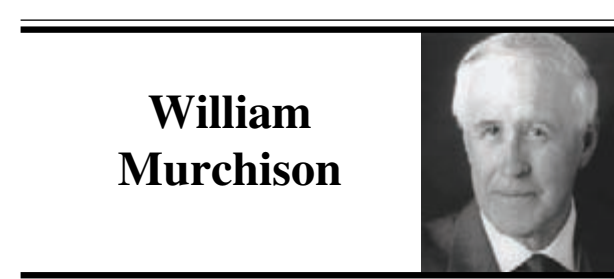
Yet many environmentalists are pressuring the Department of the Interior to list the bear as an endangered species. As the price of gas shows us, though, the real endangered species these days is the American motorist. And, if environmentalists succeed, that problem will only worsen.

New oil and natural gas production in Alaska and in its surrounding waters would immediately be put at risk if the polar bear is listed as "endangered." There would be virtually no chance to open up even a small portion of the Arctic National Wildlife Refuge, an area estimated to contain 10 billion barrels of oil. That's enough to replace what we'll import from Saudi Arabia over the next 15 years.

Our government is also leasing oil and gas rights in a vast area off Northwest Alaska estimated to contain 15 billion barrels of oil and 76 trillion cubic feet of natural gas. It's already conducted extensive studies that show energy exploration in this area would harm no bears. In fact, the leases specifically set aside habitat for polar bears. However, an endangered-species listing would put this highly promising source of domestic oil and gas off limits.

Energy exploration isn't the only activity that would run afoul of a polar-bear endangerment listing. Environmentalists want to use fears about global warming to limit our country's energy use. Otherwise, they warn, the polar bear's icy habitat could become a watery grave.

According to a 2006 study from the Pew Center for Climate Change, "the nation needs to cut carbon-dio-



William Murchison

ermment gets it wrong? What if some of the things investors aren't, according to regulatory law, supposed to do, in fact need doing for the economy's general advantage, not just the advantage of the stock market villains and buffoons the media see as standing for Wall Street?

A third marker: Where does the government — any government — get the competence to figure out the future: What will work, what won't and why? It was the French government, one mustn't forget, that came up with the priceless notion of defending the motherland by erecting an impenetrable line of forts, which the Nazis overwhelmed by simply outflanking them. Risk-takers, not deskbound bureaucrats, understand and sway the future.

If men were angels, James Madison noted, we wouldn't need government. Well, men aren't angels. Charlatans and sharpers, not to mention fools, walk among us. The laissez-faire approach to economics, however commendable as pure economics (and it's pretty commendable in that sense), won't work in a world populated by the descendants of Adam and Eve. By people, in other words. Five minutes after the most idealistic spirits in the world instituted economic and political anarchy, we'd all be cutting each other's throats.

So: government, yes. But no more of it than we absolutely have to have to get by. The best formula for moving the economy back on track and keeping it there in this challenging time is one that celebrates freedom and innovation and the taking of risks and the reaping of rewards, as opposed to a formula that celebrates bureaucratic suffocation and stultification.

Don't you agree, Sen. Obama? Sen. Clinton? Ah, you don't entirely? Well, maybe that's the "conversation" we all should be having right now, at top volume.

William Murchison is a columnist with Creators Syndicate.



Edwin Feulner

xide emissions from electricity generation by more than 80 percent during the next 50 years to slow the impact of global warming."

How much would it cost? "This could be done at an overall long-term cost increase in price of electricity of only about 20 percent," environmental policy expert M. Granger Morgan insists, claiming that's "a small price to pay to save arctic seals, polar bears, coral reefs and other valuable ecosystems."

What the United States faces today isn't an energy crisis. We've got plenty of sources of energy, from oil and natural gas in coastal waters to coal (enough to provide all our electricity for a century) to nuclear power (which produces electricity without any CO2 emissions).

Yet, even as the price of gasoline has soared, we haven't built a new petroleum refinery since 1976. We haven't opened a nuclear power plant in two decades. Gasoline, which should be a commodity (i.e., exactly the same product everywhere) is instead a boutique fuel, with states and cities demanding that refiners produce special blends unique to them. Imagine what would happen to the price of milk if each state placed different restrictions on the vitamins it could contain.

The problem today is a crisis of confidence. We're not willing to expand our domestic sources of energy, even though we know we can protect the environment while also drilling for oil or refining gasoline.

Unless our government allows us to expand energy supplies, we'd better get used to overpaying at the pump.

Ed Feulner is president of The Heritage Foundation, a public-policy organization.

Letters

Reporting the profits of big oil

Here it comes again: The Democrats' and drive-by "news" media's semi-annual "record profits for big oil" report.

Maybe it's ignorance, or maybe it's a carefully crafted plan to get government involved in yet another facet of our lives. Why else would they use dollars instead of percent in their reporting? A million dollars profit? Yeah, that's the ticket! Sounds big, like "windfall." Yet, a \$1 million profit amounts to one-tenth of 1 percent in a \$1 billion industry.

Last I heard of the so-called price gouging by Exxon, its profit amounted to about 6 percent. No, we can't report it that way! Let's use dollars instead; that'll be more eye-grabbing!

If 6 to 9 percent profit by "big oil" is such an evil, then why not hit your local businesses who are dragging in 15 to 40 percent profits?

"Big oil" is big business because they are selling products that are in great demand. I suppose they could opt for 15 percent, like so many small businesses. Then the price of gasoline might be closer to \$5.

And to those of you who dream that an alternate energy source is the answer, let me ask you this: If you were the one to discover such a source, would you sell it for the equivalent of, say, \$1 per unit? Of course not. You'd sell it for whatever the market demand called for. So if the Gore Carbon Credit Co. could find enough idiots to buy his snake oil, he'd be happy to draw down a mere 5 percent profit on billion-dollar annual sales. Then do you suppose the drive-bys would be reporting his \$50 million profit? Calling it "windfall," "exorbitant," etc.?

When belittling businesses for the profit they are making, let's remember to use percent, not dollars. And if people want to pay less for gasoline, they should trade that SUV gas-hog built on a 3/4-ton truck frame for a Volkswagen.

D.D. Todd
Kempner

DRT soliciting donations to repair Hostess House

In recent months the Hostess House, an integral part of our community for almost a century, has required considerable expenditures for maintenance. The Oran Milo Roberts chapter of the Daughters of the Republic of Texas is responsible for the upkeep of this structure.

In 1991, our DRT chapter saved the Hostess House from the wrecking ball, and we are proud of our efforts to keep this wonderful building intact and in constant use. After remodeling efforts and for the past 16 years, we have borne all maintenance expenses, but now the resources of our small organization are exhausted.

The time has come to appeal to our fellow Lampasans, and we are confident the community-minded people of Lampasas will help us to provide the necessary repairs for this unique structure, our beloved Hostess House. There recently have been repairs due to flooding after a pipe burst upstairs, the maple floors upstairs need to be redone, and the 24 support posts on the porches are rotting and need to be replaced. We need your financial help!

Please be aware that 100 percent of all money received will go for maintenance of the Hostess House. Please send any donation (large or small) to OMR-DRT, P.O. Box 546, Lampasas, TX 76755.

Judy Smith
President
OMR-DRT

Art in the Park sets fund-raiser

Lampasas Association for the Arts has some exciting news for our community. Our board of directors, committees and volunteers are in place to fulfill our mission of expanding opportunities for everyone to experience the arts.

Our upcoming fund-raiser, the Art in the Park event, themed "The Call of the Wild," will feature five new sculptures chosen by a jury for placement in the Hanna Springs Sculpture Garden. Installation of the sculptures is set for April 26, and our fund-raiser dinner for the arts to honor the artists is scheduled for May 3.

As well, we're sponsoring field trips for students in the region next fall and creating other programs to bring art opportunities and appreciation to all citizens in Lampasas.

LAFTA is proud to be part of our community. We hope you join us in our efforts to make Lampasas a better place to live through the arts.

Nancy Gray
President
Lampasas Association for the Arts

Write a letter to the editor.
Send to
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