



Watch Your Assets

Exposing the misuse and abuse of the public commons

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'Governor Handout' Trashes the Bailout

As the planet struggles to comprehend—and contain—the global meltdown of credit markets, Texans face the added burden of trying to understand their governor's bewildering position on the crisis.

With the \$700 billion bailout hanging in the balance in Washington on October 1, the Texas governor who heads the Republican Governors Association issued a joint statement with the head of the Democratic Governors Association urging Congress to "leave partisanship at the door and pass an economic recovery package." When local media reported this endorsement, however, Governor Rick Perry issued a statement that said, "In a free market economy, government should not be in the business of using taxpayer dollars to bail out corporate America." Hitting a rare populist stride, Governor Perry added, "We're certainly not interested in Washington bailing out a bunch of irresponsible mortgage brokers in an industry that has too often been run on greed."

When reporters sought to clarify the Perry doctrine, a gubernatorial spokesperson said her boss backs solutions "that don't require taxpayer dollars."¹ One such remedy is to force the lenders, bankers, investors and consumers who partied throughout the bubble to ride out the inevitable hangover as best they can. Yet Governor Perry's letter directed Congress to "pass an economic recovery package" and he has refused to say what this illusive, tax-free recovery package might be.²

This gubernatorial gibberish prompted speculation that Governor Perry was kicking off his 2010 reelection campaign, which could feature a bruising primary with U.S. Senator Kay Bailey Hutchison.³ Hutchison—who reportedly has designs on Austin's torched Governor's Mansion—voted for the bailout the same day that Perry confused the Austin press corps. If that primary becomes a referendum on which of these politicians has been the biggest corporate concubine, it could be a long campaign.

Perry's corporate-friendly track record adds to the confusion over his professed aversion to the bailout. Hallmarks of his administration are the Texas Enterprise Fund and the Texas Emerging Technology Fund. Over the past five years these programs collectively have doled out almost \$500 million in taxpayer funds, awarding most of it to private businesses that agree to open or expand operations in Texas.⁴ Recipients of this corporate welfare notably include giants in the field of predatory mortgage lending.



Trumpeting what he called the “crowning jewel” of the Texas Enterprise Fund at a 2004 press conference, Governor Perry awarded \$20 million in taxpayer money to Countrywide Financial to create 7,500 Texas jobs over six years.⁵ The governor’s prepared remarks that day address Countrywide’s CEO, saying, “Angelo Mozilo, thank you for your commitment to creating jobs and greater opportunity for the people of Texas.” Recently, however, the attorneys general of seven states, including Texas, announced an \$8 billion deal to settle charges that Countrywide (now owned by Bank of America) misled borrowers and made loans that customers could not afford.⁶ As the nation’s No. 1 mortgage lender, Countrywide aggressively laid the groundwork for the current job-killing crisis. In this way, Governor Perry’s “crowning jewel” effectively drop kicked the country in the family jewels.



Governor Perry convened another press conference in 2005 to give \$15 million in taxpayer funds to the nation’s largest savings and loan. “Less than a week after the Spurs beat the Pistons to win the NBA Championship, San Antonio has brought home another national title,” Perry announced, “the largest job creation announcement in the United States for the first six months of 2005.”⁷ Drowning in bad mortgage debt, Washington Mutual (WaMu) claimed another title last month when federal regulators seized it in the largest U.S. bank failure in history.⁸ After its \$15 million Enterprise Fund award, WaMu’s PAC generously contributed \$7,500 to Governor Perry’s campaign. As the ship foundered in April, Perry’s campaign cashed a final, \$2,500 WaMu check. WaMu also wrote a \$25,000 corporate check to Perry’s Republican Governors Association in January.

Since Governor Perry persuaded the 2003 legislature to create the Texas Enterprise Fund, the governor’s campaign has collected \$267,125 from key players in the current credit crisis. And after Perry took the helm of the Texas Governors Association this year, that group has raked in \$400,000 in corporate checks from key credit-crisis companies. This can leave the impression that Governor Perry is criticizing the excesses of those who attended a wild party in which he himself enthusiastically participated.

Contributions By Credit-Crisis Players To PACs Headed by Governor Rick Perry

Credit-Crisis Player	PAC& Contributions To Perry (Jan '03 to July '08)	Corporate To GOP Governors Assn. (Jan '08 to July '08)	Total To Both Perry PACs	Description of Player
ACC Capital (Amerquest)	\$100,000	\$0	\$100,000	Failed subprime lender bought by Citi
AIG ^Δ	\$0	\$50,000	\$50,000	Insurer now owned by Federal Reserve
Bank of America BofA. ^Δ	\$70,000	\$150,000	\$220,000	Bought Countrywide & Merrill
Citigroup. Inc. ^{Δ °}	\$7,000	\$50,000	\$57,000	Bought Amerquest
Countrywide Financial	\$7,000	\$0	\$7,000	Failed subprime lender owned by BofA
Financial Services Forum	\$7,500	\$0	\$7,500	Trade group of U.S. financial giants
Goldman Sachs ^Δ	\$6,525	*\$100,000	\$106,525	Bank's alumni are running the bailout
JP Morgan Chase ^Δ	\$13,000	\$0	\$13,000	Bought Washington Mutual
Lehman Brothers	\$0	\$0	\$0	Biggest bankruptcy in U.S. history
Merrill Lynch ^Δ	\$3,100	\$0	\$3,100	Failed bank bought by JP Morgan Chase
Morgan Stanley [°]	\$2,000	\$0	\$2,000	Mitsubishi is buying 9% of this bank
Wachovia ^Δ	\$29,500	\$0	\$29,500	Failed bank giant bought by Wells Fargo
Washington Mutual	\$7,500	\$25,000	\$32,500	Biggest bank failure in U.S. history
Wells Fargo	\$14,000	\$25,000	\$39,000	Bought failed bank giant Wachovia
TOTALS:	\$267,125	\$400,000	\$667,125	

Republican Governors Association (RGA) data courtesy of CQ.com's MoneyLine.

* The Republican Governor's Association received another \$25,000 in April from John Whitehead, an ex-chair of both Goldman Sachs and the Federal Reserve Bank of New York.

^Δ Member of the powerful Financial Services Forum trade group.

[°] Recently propped up with a heavy infusion of foreign capital.

A number of the financial companies starring in the credit crisis are members of the Financial Services Forum. *Time Magazine* dubbed this trade group that represents some of the biggest financial companies "perhaps the country's most powerful trade association."⁹ Last year Governor Perry received a \$2,500 contribution from the Forum's CEO, former Commerce Secretary Don Evans. Evans joined the Forum in 2005, when it was chaired by Goldman Sachs CEO Henry Paulson, who is now running the bank-friendly bailout. In an early Forum speech, Evans applauded competitive new home-loan products that "helped America achieve its highest homeownership rates on record."¹⁰ Drawing lessons from Enron's implosion, Evans pledged to "press for the kinds of policies that help all people succeed—lower taxes, lower regulation, lower barriers to trade, and the policies that create an environment for sustained, long-term economic growth." Instead, the revolving door that unites regulators with the regulated in an unending game of musical chairs encouraged radical deregulation followed by the housing bubble and then the crisis. Trust is now the rarest asset on Wall Street.

Governor Perry's greatest personal financial tie to the crisis is the \$610,000 that his campaign received on October 15, 2002 from Friends of Phil Gramm.¹¹ Perry got this largest same-day political contribution of his career from the war chest that Gramm built as the deregulatory chair of the U.S. Senate Banking Committee. The 1999 Gramm-Leach-Bliley Act dismantled the Depression-era law that segregated the insurance, banking and brokerage industries to prevent contagion. Absent such firewalls, the current crisis has swept through all of these financial sectors. As the revolving-door vice chair of Swiss investment bank UBS, Gramm has since

lobbied Governor Perry to pour state assets into dubious schemes. These include taking out life insurance policies on state employees and privatizing the Texas Lottery.¹² The state has not bought these Gramm snake oils to date.

1 “Perry touts recovery, not a bailout: Governor forced to emphasize that point when initial statement causes a bit of confusion,” *Houston Chronicle*, October 1, 2008.

2 “Bailout not Perry’s idea of government: He wants Congress to rise above party but won’t spell out options,” *Dallas Morning News*, October 2, 2008.

3 “Perry’s stand on bailout could figure in 2010 governor’s race,” *Austin American-Statesman*, October 3, 2008.

4 These programs also have awarded a smaller percentage of funds to public entities such as universities. For more on the Texas Enterprise Fund, see TPJ’s “State Development Fund Rewards Hype,” December 18, 2007. <http://www.tpj.org/watchyourassets/enterprise/>

5 “Gov. Rick Perry’s Remarks Regarding Countrywide Financing,” Office of the Governor, December 14, 2004. [Hhttp://governor.state.tx.us/news/speech/10202/H](http://governor.state.tx.us/news/speech/10202/H) The Midland Development Corp. awarded Countrywide another \$2.5 million to open a Midland office. See TPJ’s “Tall Order in Tall City,” June 12, 2008. <http://www.tpj.org/watchyourassets/midland/>

6 Texas Attorney General Greg Abbott’s release on the settlement makes no mention of what Countrywide allegedly did wrong, an omission that recalls George Santayana’s caution that, “Those who cannot remember the past are condemned to repeat it.” See “Attorney General Abbott Reaches Agreement with Countrywide,” Office of the Attorney General, October 6, 2008.

<http://www.oag.state.tx.us/oagNews/release.php?print=1&id=2680>

7 “Perry welcomes Washington Mutual to San Antonio,” Office of the Governor, June 29 2005.

<http://governor.state.tx.us/news/press-release/3291/>

8 “WaMu fails, is sold off to J.P. Morgan,” *Wall Street Journal*, September 26, 2008.

9 “How Bush landed a Wall Street titan for Treasury,” *Time Magazine*, May 31, 2006.

<http://www.time.com/time/nation/article/0,8599,1199374,00.html>

10 “Remarks by Financial Services Forum CEO Don Evans,” the National Press Club, Washington, October 5, 2005.

11 Gramm’s PAC contributed \$300,000 of this money directly. The Perry campaign reported that on the same day Gramm’s committee spent another \$310,000 on a media buy benefiting Governor Perry.

12 TPJ’s “Privatizing the Lottery Raises Gambling Stakes,” March 26, 2008.

[Hhttp://www.tpj.org/watchyourassets/lotterysale/H](http://www.tpj.org/watchyourassets/lotterysale/H) See also “John McCain’s Gramm Gamble,” *Texas Observer*, May 30, 2008. <http://www.texasobserver.org/article.php?aid=2767>