

Blog Post

The Line Reports from the CMSA: Part II - Fat Cats and Second Shoes?

Posted on **January 21, 2010** by Peter K. McKee, Jr.

On the heels of the special election in Massachusetts the night before, it was an interesting, if not provocative, time for leading Republican and Democratic Congressmen to address the CMSA Conference. Congressmen Eric Cantor (R-Virginia), House Minority Whip, and Paul Kanjorski (D-Pennsylvania), member of the House Financial Services Committee and Chairman of the Capital Markets Subcommittee, took turns providing their perspective on both broader political events and specific issues affecting commercial real estate finance.

As expected, Rep. Cantor was elated by the Brown victory, and hailed the result as providing a check-and-balance on one party rule. He continued:

"People don't want to be told what to do. President Obama's message of hope and change devolved into a pattern of horse-trading and backroom deals. Non-transparency reached a tipping point."

Cantor was quick to define the economy as the country's number one issue. And he was clear that his views of government's proper role—that it should largely get out of the way—were borne of his belief that the American success story is based on entrepreneurial initiative and risk-taking. He took aim at one of the President's recent speeches—where he famously told students at Northeastern University that voters had to choose between being of the side of "the people or the fat cats"—as positing a false choice. "If you tax the availability of credit, you raise the cost of capital and restrict capital flows that could create jobs." With respect to securitization, Rep. Cantor said that Congress should promote the same certainty that fostered the CMBS market at its inception, which primarily means beating back populist measures that have adverse consequences for the larger economy.

Rep. Kanjorski struck a less partisan tone in his remarks. Addressing the special election results, "an alarm went off—the people don't think we listen or care, and they're somewhat right." He took issue with the abridged process the Democratic leadership chose to bring the health care bill to an expedited vote: "Process is important; if you lose that, you lose democracy." Had the usual conference committee mechanism been used to resolve the House and Senate bills, the people's perception would have been vastly different.

Turning to commercial real estate's prospects, the Congressman said that the House Committee was sensitive to a commercial real estate meltdown (a "second shoe to drop after the residential mortgage crisis"). But, while the Committee was looking at policy options, he didn't see a CRE implosion as happening.

"Institutional activity was necessary to protect the financial system. If we had let it collapse, as many of the pure supply-siders were urging at the time, it could have taken 30 years to recover from the shock. You can't have it both ways."

Rep. Kanjorski listed examples of bipartisan efforts that had been constructive, but also said that a spirit of openness was required. He said that had health care initiatives been piecemealed into separate measures, certain of those would have passed with Republican support. When the measures were bundled as one package, there was no Republican support to be found. Still, he said, the Administration got last night's message, too.

"The prospects for commercial real estate look tough," Rep. Kanjorski concluded, "but we'll succeed—there will be no second shoe to drop, but we have to be active. We have to have protections in place so that institutions can fail without bringing the system down."