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Five Alternative Bailout Plans

The Bush administration is pushing its bailout plan by claiming the *only* way to save the economy is by having the federal government buy \$700 billion worth of bad paper from big financial firms that screwed up. Conservatives should hate this because it is a massive federal intervention in the market. Liberals should hate this because it's a handout to the richest people and companies in America. But the Bush administration and Wall Street are insisting it's the end of the world and this is the only choice. Well, is it this or nothing? Many on Capitol Hill—especially Democrats—are buying the general premise of the White House plan but insisting on lipstick-on-a-pig modifications involving CEO compensation, taxpayer protection, and oversight and transparency. But are there other approaches to the problem besides putting the Treasury in charge of a \$700 billion fire sale? Yup. Here's a quick roundup.

(1) The Planners: The Republican Study Committee, a group of some of the most conservative Republicans in Congress. **The Plan:** Two-year suspension of the capital gains and dividend taxes to "encourag[e] corporations to sell unwanted assets." **The Problem:** It won't work. Over at *Time*, Justin Fox **says** the RSC plan "seems to be a joke," and explains that it would just make matters worse by actually discouraging banks from unloading bad mortgage-backed securities.

(2) The Planners: Eric Cantor (R-Va.) and some House Republicans. **The Plan:** Instead of having the Treasury buy mortgage-backed securities outright, insure them and charge premiums, paid to the government. **The Problem:** It almost certainly won't work. Marc Ambinder has a **great explanation** of why, but a **commenter** at *Time* sums most of it up in a sentence: "Writing insurance requires either a long history of past events or, at a minimum, knowledge of present market prices." There is neither a long history of past events nor a knowledge of present market prices in this case. In fact, as Ambinder points out, *there's not even a market* for the products that would be insured. That's the fundamental problem, and insuring them wouldn't fix it.

(3) The Planner: Our own James K. Galbraith, an economist. **The Plan:** Prop up the FDIC. Eliminate the "pointless" \$100,000 cap on deposit insurance, put a half-trillion dollars in the FDIC fund, give it extra funding for more employees, and keep another \$200 billion in reserve. (There's more in **Jamie's article**, but the FDIC part is the heart of the plan.) **The Problem:** It may good policy, but so far, there are few takers in Washington. And there's no major political constituency advocating for it in the way that Wall Street is calling for a buy-me-out bailout.

(4) The Planner: Senator Bernie Sanders (I-Ver.). **The Plan:** Make the rich pay for the bailout. Impose a temporary surtax on incomes over \$1 million. Pass an economic recovery package that puts people back to work. Then re-regulate and break up any companies that are "too big to fail." **The Problem:** See #3.

(5) The Planner: Hedge Fund Gazillionaire John Paulson. **The Plan:** Buy Wall Street. No, seriously: Paulson thinks taxpayers (or, more specifically, the Treasury) should buy huge amounts of senior preferred stock in banks. Kevin has more on this, which he points out essentially means nationalizing troubled banks. **The Problem:** This plan essentially means nationalizing troubled banks. Conservatives will be queasy about it; even Kevin Drum, a liberal, is queasy about it.

Have you come across any other alternative plans? Do you have any suggestions of your own? Leave them in the comments.

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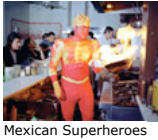
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Posted by **Nick Baumann** on 09/26/08 at 2:42 PM | [Comments \(94\)](#) | [Email](#) | [Print](#)

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The Hidden Half



Aryan Outfitters



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Comments

If the current credit crisis stems from the collapsing housing market, it makes sense to stabilize the housing market. Fortunately, we already have a historical model to accomplish this. Among his many New Deal reforms, FDR created the Home Owners Loan Corporation. The government can purchase all foreclosed properties and mortgages approaching foreclosure and reset the mortgages at a more reasonable rate. Properties which are already foreclosed can be refurbished to ensure better long-term value, including such energy efficient upgrades as solar water heating panels and improved insulation. Properties beyond redemption can be destroyed, and the property used for newer, better housing or other appropriate use at market prices.

The cost? With the current foreclosure rate at around 2.03 million houses, and a median house price of 200K, the taxpayers will have to pony up about 421 billion dollars. Throw in another four billion to cover administrative costs and property upgrades, and it's still a bargain at 425 billion. This plan has the advantage of allowing people to remain in their homes and pay their mortgages, creating additional jobs through improvement of housing stock, and ensuring that the money spent by the taxpayer is used in a manner that is well-observed and grounded in real values, not hazy market derivatives. Historically speaking, the HOLC of the New Deal even turned a small profit.

There will be some who argue that allowing "irresponsible" homeowners to keep houses they could not afford risks creating a moral hazard. To help avoid this possibility, the program could be restricted to primary residence to ensure it is a homeowner's program, not a tool for speculators flipping properties. But in any case, don't we risk a moral hazard on a much greater scale by bailing out Wall Street speculators and billionaires with little to no oversight?

Main Street needs a fair deal. Wall Street has had things more than fair for the past three decades, and they blew it. Enough of that failed model already.

Posted by: **Christian** on 09/26/08 at 3:15 PM [Respond](#)

Thanks, Nick, for making the point that what Congress is pushing isn't the only game in town.

IMHO, it's too bad you had to come down in favor of the two plans that, like Dubya's plan, are essentially to Throw Taxpayer Money At It.

Equally too bad that people who have no record of having enough foresight to have seen it coming are quoted as if they are so prescient that they can definitively state "It Won't Work", and you take it as Gospel.

Posted by: **Droolius Sneezzer** on 09/26/08 at 3:18 PM [Respond](#)

#1 - Ridiculous. Agreed that it will never work.

#2 - This is not a fair solution.

#3 - Seriously, eliminate the cap. I guess the solution would be to just print more money when they run out.

#4 - Outrageous! Do these people not know the way of the world?

#5 - That must have been a throw in. Buy wall street? Very funny.

Posted by: **HarryNads.com** on 09/26/08 at 4:04 PM [Respond](#)

How about Thom Hartmann's plan: <http://www.commondreams.org/view/2008/09/26> How Wall Street can bail itself out without Deflating the Dollar.

Posted by: **Mary** on 09/26/08 at 11:12 PM [Respond](#)

Global Warming
Deniers

The Death of the
Ocean - And How to
Stop it

God and Country: The
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Who Can Stop
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The Price of Prisons
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INTERVIEWS

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Your New Bicycle

MoJo Interview: The
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Helena Cobban: A
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Post-Bush Globe

The MoJo Interview:
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Worst Prison

William Poundstone:
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Marjane Satrapi: Never
Mind the Mullahs

Boots Riley: Dance
Dance Revolution

Trita Parsi: The NIE's
Got Nothing on Him

Serj Tankian:
Alternative Rock's
Political Poet

Former U.S.
Government Official in
Pakistan

Sean Fine and Andrea
Nix Fine

50 Iraq Experts

Robert Pinsky

Ken Burns

Matthew Israel
Interviewed by Jennifer
Gonnerman

Henry Rollins:
Post-Punk Pundit

In my opinion, we the taxpayer should be given the opportunity to buy back our mortgages at discounted values that only the buyers (us) and the sellers (the banks) can reach mutually. The funds can come from 401k accounts taxfree (or something less than today). The deal to reach discounted values could mean a principal reduction, an interest rate reduction and other loan terms. The government would primarily run this marketplace with both toxic and non-toxic loans. In theory, we could pick up the phone and call the bank and do this deal. Realistically, I am not sure who to call at the bank that can actually negotiate the deal. Either way, once this is all said and done (whatever the plan ends up being), my plan is to figure out how I buy back my mortgage since it appears that the government is basically doing this as my agent. The problem is I have not hired the government to be my agent.

Posted by: **Derik** on 09/27/08 at 5:06 AM [Respond](#)

Welcome to the Brave New World!! Our dollar bill whose symbols are based upon the "freemasons" will soon be replaced with the Amero. You know just like the euro. I don't know how many dollars equal an Amero. George Bush is rushing in the NEW WORLD ORDER.

Posted by: **Thomas** on 09/27/08 at 6:35 AM [Respond](#)

Yeah, this is a fairly radical suggestion. Perhaps you might consider this the most sensible course of action. Thanks and keep up the good fight!

I'm against the \$85,000,000,000.00 bailout of AIG.

Instead, I'm in favor of giving \$85,000,000,000 to America in a We Deserve It Dividend.

To make the math simple, let's assume there are 200,000,000 bonafide U.S. Citizens 18+.

Our population is about 301,000,000 +/- counting every man, woman and child. So 200,000,000 might be a fair stab at adults 18 and up.

So divide 200 million adults 18+ into \$85 billion that equals \$425,000.00.

My plan is to give \$425,000 to every person 18+ as a

We Deserve It Dividend.

Of course, it would NOT be tax free.

So let's assume a tax rate of 30%.

Every individual 18+ has to pay \$127,500.00 in taxes.

That sends \$25,500,000,000 right back to Uncle Sam.

But it means that every adult 18+ has \$297,500.00 in their pocket.

A husband and wife has \$595,000.00.

What would you do with \$297,500.00 to \$595,000.00 in your family?

Pay off your mortgage – housing crisis solved.

Repay college loans – what a great boost to new grads

Put away money for college – it'll be there

Save in a bank – create money to loan to entrepreneurs.

Buy a new car – create jobs

Invest in the market – capital drives growth

Pay for your parent's medical insurance – health care improves

Enable Deadbeat Dads to come clean – or else

Remember this is for every adult U S Citizen 18+ including the folks who lost their jobs at Lehman Brothers and every other company that is cutting back. And of course, for those serving in our Armed

Steve Buscemi
 Interviews with Bloggers, Politicos, and Netizens on Politics 2.0
 Henry Louis Gates Jr.
 Joseph Stiglitz
 Josh Wolf
 Punk Preacher Jay Bakker
 Ohio Senator Sherrod Brown
 Socialist Senator Bernie Sanders
 more...

LETTERS

"As a long-term energy-field professional, I was glad to see *Mother Jones* taking a more balanced view than that all can be solved with wind, solar, and conservation. How can we double electric usage and eliminate coal? Via an all-out nuclear power program. Nothing else can provide more than 700 gigawatts of capacity in the next 30 years. So, it is up to you and your readers: Demand a nuclear program or complain about global warming, oil profits, and fossil fools. Your choice."
 Readers respond.

BLOG LINKS

- Andrew Sullivan**
- American Footprints**
- Alas, A Blog**
- Billmon**
- Brad Blog**
- Brad DeLong**
- Bradford Plumer**
- Big Brass Blog**
- Chris Mooney**
- Crooked Timber**
- Crooks and Liars**
- Daily Kos**
- David Corn**
- Democracy Arsenal**
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- Juan Cole**
- Julie Saltman**
- Laura Rozen**
- Liberal Oasis**
- Marginal Revolution**
- Majkthise**
- Mark Kleiman**
- Matthew Yglesias**
- Mickey Kaus**
- Muckraker**
- Mystery Pollster**
- Needlenose**
- Obsidian Wings**
- Pandagon**
- Plank**
- PolySigh**
- Real Clear Politics**
- Respectful of Otters**
- OxBlog**
- TalkLeft**
- Talking Points**
- Memo**

Forces.

If we're going to re-distribute wealth let's really do it...instead of trickling out a puny \$1000.00 ("vote buy") economic incentive that is being proposed by one of our candidates for President.

If we're going to do an \$85 billion bailout, let's bail out every adult U S Citizen 18+!

As for AIG – liquidate it.

Sell off its parts.

Let American General go back to being American General.

Sell off the real estate.

Let the private sector bargain hunters cut it up and clean it up.

Here's my rationale. We deserve it and AIG doesn't.

Sure it's a crazy idea that can "never work."

But can you imagine the Coast-To-Coast Block Party!

How do you spell Economic Boom?

I trust my fellow adult Americans to know how to use the \$85 Billion

We Deserve It Dividend more than I do the geniuses at AIG or in Washington DC.

And remember, The Birk plan only really costs \$59.5 Billion because \$25.5 Billion is returned instantly in taxes to Uncle Sam.

Ahhh...I feel so much better getting that off my chest.

Kindest personal regards,

Birk

T. J. Birkenmeier, A Creative Guy & Citizen of the Republic

PS: Feel free to pass this along to your pals as it's either good for a laugh or a tear or a very sobering thought on how to best use of \$85 Billion!!

Posted by: **Sean Rowlette** on [09/27/08 at 8:15 AM](#) [Respond](#)

You're going to buy Wall Street anyway before this is over, so it is really the only way for the average American to get their money back. Might as well start now. Unfettered Capitalism is dead, dead, dead.

Posted by: **john** on [09/27/08 at 9:18 AM](#) [Respond](#)

I'm against the \$85 BILLION bailout of AIG. Instead, I'm in favor of giving \$85,000,000,000 to America in a "We Deserve It" dividend. To make the math simple, let's assume there are 200,000,000 bona fide U.S. citizens, aged 18+.

Our population is about 301 million counting every man, woman and 20child. So, 200,000,000 might be a fair stab at adults 18 and up. Now, divide 200 million, 18+ adults into \$85 billion - that equals \$425,000.00 each! Yes, my plan is to give that \$425,000 to every adult as a "We Deserve It" dividend.

Of course, it would NOT be tax free. So, let's assume a tax rate of 30%. Everyone would pay \$127,500.00 in taxes. That sends \$25.5 billion right back to Uncle Sam! It also means that every adult 18+ has \$297,500.00 in their pocket. A husband and wife would have \$595,000.00!

What would you do with \$297,500.00 to \$595,000.00?

- Pay off your mortgage – housing crisis solved.
- Repay college loans – what a great boost to new grads.
- Put away money for college – it'll really be there.
- Save in a bank – create money to loan to entrepreneurs.
- Buy a new car – create jobs .
- Invest in the market – capital drives growth.
- Pay for your parent's medical insurance – health care improves. Enable deadbeat parents to come clean – or else.

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Think Progress
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TreeHugger
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James Wolcott
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Project Survey

Remember this is for every adult U.S. citizen, 18 and older (including the folks who lost their jobs at Lehmann Brothers and every other company that is cutting back) and of course, for those serving in our Armed Forces.

If we're going to re-distribute wealth let's really do it! Instead of trickling out a puny \$1,000.00 "economic incentive".

If we're going to do an \$85 billion bailout, let's bail out every adult U.S. citizen!

As for AIG – liquidate it.

- Sell off its parts.
- Let American General go back to being American General.
- Sell off the real estate.
- Let the private sector bargain hunters cut it up and clean it up.

We deserve the money and AIG doesn't. Sure it's a crazy idea, but can you imagine the coast-to-coast block party?!

How do you spell Economic Boom? W-e D-e-s-e-r-v-e I-t d-i-v-i-d-e-n-d! I trust my fellow adult Americans to know how to use the \$85 Billion "We Deserve It" dividend more than do the 'geniuses' at AIG or in Washington, D.C..

And remember, my plan only really costs \$59.5 billion because \$25.5 billion is returned instantly in taxes to Uncle Sam. Good idea? I think so.

Posted by: **Joan** on 09/27/08 at 9:38 AM [Respond](#)

Contrary to the author's assertions, the bonds in question are not valued at zero. That is the false construct of mark-to-market accounting.

Mortgage-backed bonds do have performing qualities (ie. underlying mortgage payments) and therefore have value, as demonstrated by the sale of ML bonds by Thane at \$.22 on the dollar. Ergo, price discovery is sufficiently established for an insurance premium. The bonds have a floor value, thereby removing the only doubt offered by the Time correspondent (which in my opinion was a weak argument to begin with.)

The issue now is how to acquire the bonds without full exposure to the taxpayer.

I suggest that the proposed \$700b expenditure be in the form of loans to the holders of the debt instruments. The Treasury should take the underperforming, "temporarily impaired bonds" as collateral. These collateralized assets should be held on the shelf of the Treasury (without the burden of mark-to-market), where the bonds can be re-financed, consolidated or (declared worthless) over the full period of maturity rather than a worthless assessment declared as of today when the market is bogusly impaired.

As the bond market regains confidence, I surmise a large portion of these assets will be able to return to the marketplace as full-valued performing assets, to be re-sold to repay the original taxpayer loans.

As taxpayers, we may not see a real gain, but we will certainly avoid a MASSIVE loss.

In exchange, participating banks will cancel all dividend payments to equity holders until at least half the debt is repaid, all other debts will be subordinated to taxpayers, no commissions shall be paid on the bond sales, and no portion of the proceeds received by the participating bank may be part of any compensation plan.

After all -- this IS a bail out.

Posted by: **rtrco1** on 09/27/08 at 9:53 AM [Respond](#)

It might be noteworthy that for each adult US citizen to receive \$425,000 (pre tax) actually requires a government distribution of \$85,000 billion. The \$85 billion credit line AIG received, which may eventually be repaid, and comes with attached warrants for 79 percent of the company, equates to \$425 per adult American - probably not enough to make much of a dent in a householder's mortgage.

Posted by: **Dave** on 09/27/08 at 11:21 AM [Respond](#)

Thanks, Dave, for correctly doing the math.

I have a variant of that plan, though, the \$10K Solution.

\$10,000 to every taxpayer in the US (138 million of them) to be used to pay down personal debt over the course of a year. That's a 1.38 Trillion outlay, which would be repaid \$500 per year per taxpayer

over 20 years. The money repaid would be earmarked for infrastructure, green economy, health care, and other public works programs. And, of course, this outlay must be followed swiftly with re-regulation of the financial sector, beginning with outlawing the CDO and CDS instruments that brought us to the point we're at today.

The \$10,000 would be \$20,000 in a dual-income household, and would easily cover payments on a \$200,000 fixed mortgage at today's rates.

The money could also be used to pay other forms of personal debt such as student loans, credit cards, auto loans, etc.

Those without debt would be free to use the money as they wish.

Liquidity would begin for the citizen, flow through to the smaller institutions (and larger institutions, as well). Greater liquidity would reduce the risk of further mortgage defaults (of course, a part of this plan could include a mandate to either buy up houses from the extreme cases that would not benefit from the 10K Solution, and/or to guarantee refinances to reasonable terms and away from adjustable rates).

Just my \$0.02.

Posted by: **Andrew** on 09/27/08 at 1:41 PM [Respond](#)

The basis for the collapse in the CDO derivatives market, and the insurance calls being made in the CDS market is the housing market itself. I agree with Christian, and there are certain economists pushing this plan as well. THIS is the 'Main Street' plan. Break the present mortgages, get people back in their houses with 2-4% interest, and perhaps a small downpayment. Include controls on new building and only primary residence help. This will revitalize neighborhoods, stabilize housing prices for everyone, re-employ workers in the housing industry, stop the foreclosures and evictions, and keep houses from rotting and going bad.

I.E. fix the bottom 'card' of the house of cards - and the higher cards will benefit as well. It will mean government control of a great chunk of the housing 'market' - but housing is a right, not a privilege, and it is about time we recognize it.

Posted by: **Elydog** on 09/27/08 at 1:53 PM [Respond](#)

*My plan is to give \$425,000 to every person 18+ as a We Deserve It Dividend.
Of course, it would NOT be tax free.
So let's assume a tax rate of 30%.*

So, somehow, the government is going to tax us enough to 'give' us \$425,000 (after the bureaucracy has soaked up it's share), or even \$10,000, and then it's going to hit us again for 30% of that? Taxing us on the same money it's Taxed us for in the first place.

And we'll be richer for it?

Is that the idea?

Everyone seems to be missing the point that the government's monetary resources come from OUR productivity, by way of taxing US, in one way or another. And then it takes the cost of supporting itself (bloated bureaucracy) off the top, before the money gets put to any sort of use "on our behalf".

Government, by itself, is not a producer of wealth. It is strictly a *consumer* of the wealth we create. It may print dollars, but when it prints more dollars than it's taking in (as it always does) then each dollar is worth less (inflation). If it simply prints enough to hand out \$425,000 to every adult citizen, then the dollars we've worked for and saved in the past are suddenly worth a damned sight less than they were when we earned them.

This scheme strikes me as totally idiotic. There **is No Money Tree** growing in Washington, D.C.! Whoever is proposing this scheme needs to revisit Economics 101!!

We'd be better off if they simply cut our taxes, as this would disallow funding of bureaucracy with the money in question, and so the dollars would retain full value. That, however, would necessitate either cutting the amount they spend (we know how gov't is *loathe* to do that!!) or inflating the currency (which doesn't even cause them to pause & think any more).

Let Wall Street look after it's own.

They would never have put their own money at such risk if they didn't think the gov't would step in to bail 'em out if it all went south. It's time for our government to tell it's citizens that they are responsible for *Their Own Risks*, when they willingly enter into them.

Let citizens assume a little personal responsibility for their personal decisions, and Wall Street High Rollers are just citizens like the rest of us.

Posted by: **Is There A Money Tree??** on 09/27/08 at 2:27 PM [Respond](#)

This is why the "We Deserve it Dividend" could never possibly work, and why it would inflate the dollar and for at least a short time make everything unbelievably expensive while most of us had all those dollars to spend:

"I observe that men of business rarely know the meaning of the word 'rich'. At least, if they know, they do not in their reasonings allow for the fact, that it is a relative word, implying its opposite 'poor' as positively as the word 'north' implies the word 'south'. Men nearly always speak and write as if riches were absolute, and it were possible, by following certain scientific precepts, for everybody to be rich. Whereas riches are a power like that of electricity, acting only through the inequalities or negations of itself. The force of the guinea in your pocket depends wholly on the default of the guinea in your neighbour's pocket. If he did not want it, it would be of no use to you; the degree of the power it possesses depends accurately upon the need or desire he has for it -- and the art of making yourself rich is therefore equally and necessarily the art of keeping your neighbour poor."

-John Ruskin

Posted by: **Dividend Issues** on 09/27/08 at 4:32 PM [Respond](#)

Robert Reich Proposes Bankruptcy Reorganization on his robertreich.blogspot.com, under the title, "The Coming Bailout of All Bailouts Bill: A Better Alternative ":

The banks as an institution must be saved as they are needed for the distribution of money, making loans and taking deposit.

The US and the world banking system is bankrupt and the US banking system must be put under a process similar to chapter 11 of the bankrupt law, speculators should loose their shirt. All the money from the fire sale should go to making creditors as whole as possible.

LaRouche has called on Congress to immediately pass his Homeowners and Bank Protection Act; to establish a two-tier credit system, to defend the U.S. dollar, and launch massive infrastructure development projects; and for the U.S. government to join with Russia, China, and India, in convening an immediate New Bretton Woods conference, to put the global financial system through bankruptcy reorganization, and establish a new, fixed-exchange-rate system, modeled on Franklin Roosevelt's original Bretton Woods system

Reference: http://www.larouchepub.com/pr/2008/080924reich_bankruptcy.html

Posted by: **Claude** on 09/27/08 at 5:45 PM [Respond](#)

Well, I'm not an economist. But if the current risk to the US economy is the possible freezing of the credit markets, why not use the \$700 billion dollars to provide capital to small, local banks to provide the credit services that the big boys are afraid to do. Small business, homeowners, etc. will have access to the resources they need, the local banks know their clients and trust them so can lend with confidence. You could also send some of that money to the states to shore up their finances. I get a little sick and tired of hearing about the "lack of confidence" on Wall Street as if this is a natural disaster. There is a "lack of confidence" because these financial institutions have been lying to each other. They have hidden debts off the books, they have reported bogus assets and nobody trusts them any more. FINE. Don't lend any money and go out of business. I am sure there are a few honest banks out there that would be willing to pick up your clients especially with a little help from Uncle Sam. I'm just a housewife, but why do I have to pay big bucks for Wall Street's garbage when I can give the money directly to the people who need it?

Posted by: **Cheaplazymom** on 09/27/08 at 7:47 PM [Respond](#)

An easier plan would be to lend Wall Street the \$700,000,000,000 and then put a surcharge on every share of stock for the next ten years. It's simple. The English used this to help pay for WWI. We generate about 3,000,000,000 shares a day. This would bring in about \$300,000 a day and for 250 trading days we'd generate about \$75 billion a year in ten years it would all be paid back and we'd make a profit of 50 billion for deficit reduction.

Posted by: **rudi gomez** on 09/27/08 at 9:03 PM [Respond](#)

I have a simple plan. The Government should just sieze the assests of all the CEO's, mortgage bankers, real estate agents and others who caused this problem.

Posted by: **Brian C** on 09/28/08 at 4:54 AM [Respond](#)

Thom Hartmann wrote an interesting piece on how to bail out Wall St. without costing the taxpayers a

dime. The idea is to create a new government agency to manage the bailout. The treasury would then loan it money to bail out Wall St. firms that are in trouble. The government would then institute a Securities Turnover Excise Tax of 0.25% on stock trades with revenues going to the new agency. For long-term investors who buy stock in companies they believe in and keep it for years adding a quarter of 1% to the cost hardly matters, and even to speculators it is not huge. It is estimated that such a tax would generate at least \$150 billion a year, so the \$700 billion load would be paid off in 5 years. The US has had such a tax in the past and used it to finance the Civil War, Spanish-American War, WWI and WWII. Many other countries have a similar tax. This proposal is clearly a viable alternative to either giving Wall St. \$700 billion as a freebie or even getting stock in return for the money. Wall St. managers might even prefer it to a plan that limited their future compensation.

Posted by: **Joanne Sunshower** on 09/28/08 at 6:52 AM [Respond](#)

Virtually our entire financial system is based on an illusion. We spend more than we earn, we consume more than we produce, we borrow more than we save, and we cling to the fantasy that this can go on forever. The glue that holds this crumbling scheme together is a fiat currency known as the Federal Reserve Note, which was created out of thin air by an international banking cartel called the Federal Reserve.

According to Congressman Ron Paul, in the last three years, the Federal Reserve has created over \$4 trillion in new money. The result of all this "money-out-of-thin-air" fraud is never-ending inflation. And the more prices rise, the more the dollar collapses. Folks, this is not sustainable.

Already, Bear Stearns was awarded a \$29 billion bailout, followed quickly by the bailout of Freddie and Fannie that will cost the taxpayers up to \$200 billion. Then the Fed announced the bailout of AIG to the tune of \$85 billion. Mind you, AIG is an enormous global entity with assets totaling more than \$1.1 trillion. Moreover, the Feds agreed to pump \$180 billion into global money markets. And the Treasury Department promised \$50 billion to insure the holdings of money market mutual funds for a year. Now, taxpayers are being asked to provide \$700 billion to Wall Street. Not only will American banks be bailed out, but foreign banks will also be bailed out. Then again, at least half of the Federal Reserve is comprised of foreign banks, anyway. In other words, the Federal Reserve is preparing to spend upwards of \$1 trillion or more. Remember again, this is fiat money, meaning it is money printed out of thin air. Now, we are facing total economic collapse.

But don't worry: the international bankers will lose nothing—not even their bonuses. They will maintain their mansions, yachts, private jets, and Swiss bank accounts. No matter how bad it gets on Main Street, the banksters on Wall Street will still have the best of it—President Bush and the Congress will make sure of that. This is one thing Republicans and Democrats can agree on.

Posted by: **Chuck** on 09/28/08 at 7:04 AM [Respond](#)

I don't quite understand how you fix a potentially seized credit market by borrowing \$700,000,000,000.00 in the open market. (Where else is it going to come from???)

I do see a way, and I can't find the obvious holes in it -- I know they are there, I'm just too simple to figure them out. Here it is:

The problem is non-performing mortgages. Money lent, and not being repaid. Everything stems from that -- debt swaps, repurchase agreements, insurance -- all are there to deal with spreading the risk of non-performing loans.

So:

Instead of handing \$700B to the very people whose profligacy and poor judgement created the mess, happily it where it could do some actual and immediate good. Think of this like handing \$700B to a charity -- you want it to go 99% to the afflicted, right?

Take all those skilled and now unemployed financial professionals and have them process applications for the money.

If you have an "upside-down home" or an "under-water" home, meaning (for purposes of the example) a \$200,000 house in real current value with, let's say, a \$220,000 mortgage which you'd happily walk away from, you apply to this fund for a payment. You have to live in the house. You have to be in, or in danger of being in, foreclosure proceedings.

You get: \$110,000 of your mortgage paid off immediately. You now have a \$200,000 house with a \$110,000 mortgage. Your house payment goes down by nearly one-half.

The lender gets: 50% of his money RETURNED, thereby directly capitalizing the balance sheet of the lender and making it once again liquid and a reasonable credit risk for major banks. Overnight credit, which is what is "freezing" now, becomes a regular, liquid market again.

The taxpayer gets: 50% ownership of your home, as follows: Whenever the house sells, the Treasury

receives one-half of the PURCHASE PRICE -- NOT the equity, the PURCHASE PRICE -- meaning, in our example, if the homeowner with the now low payment sells his house in 5 years for \$260,000, the Treasury gets \$130K, the mortgage is paid off, and the homeowner has about \$25K in equity to take with him/her.

The homeowner will, in order to get this "bail-out", have to agree not only to the 50% of purchase price, but also that the house can not be refinanced, hypothecated, or transferred, except in probate, and that the terms of the deal go with the house. It would require the execution of a new deed of trust. Just like a regular mortgage requires fire insurance, this one would require that the homeowner maintain the home.

I'd start doing this for owner-occupied houses. I would reluctantly extend it to speculator-owned homes for the following reason:

If you bought 20 houses for nothing down, you are only living in one of them. Someone is probably living in the other 19, or most of them. Those people, called "tenants" or renters, are truly innocent in all of this. They are paying their rent, and if the home is foreclosed out from under them well, that's pretty unfair.

Worse: if they get bounced out of the house and it lies empty, then the stock of housing has been REDUCED, and the number of people seeking housing has been INCREASED, which puts pressure on rental costs and is inflationary.

Meanwhile, this plan makes it much less likely that people "flip" the homes, because it will take a while for the market to stabilize and values to begin to rise enough for there to be a reason to sell. And if fewer people are doing this, the "bubble" doesn't grow as fast -- a more orderly and reasonable increase in housing values occurs.

You see, one of the main reasons this is a problem at all is not so much the "greed" of Wall Street, as the trickle down greed to Main Street -- people, about 25 years ago, stopped thinking of their home as a shelter -- in the true sense, from the elements, and in the financial sense, for their retirements years -- and began seeing it as an active investment to be turned over and leveraged. This idea would, I think begin to reverse that trend.

In short -- mortgage holders are re-capitalized -- still getting a "gift", but with some ability for that to produce value through the economy. Homeowners stay where they are. Foreclosures stop. People keep their jobs, throughout the economy. More disposable income exists because house payments are lower. More tax revenue accrues to the Treasury, because there are fewer deductions for interest because the indebtedness is reduced. And the relief goes to real people, not Lehman Brothers. Mortgage lenders will be very willing to re-write the new mortgages, at a low fixed rate, because the loans will perform and will carry 45% equity (even though the equity is held by the government).

So why has nobody else thought of this? Is it just too simple?

Posted by: **Intelligent Life** on 09/28/08 at 11:01 AM [Respond](#)

Joanne Sunshower writes: *Thom Hartmann wrote an interesting piece on how to bail out Wall St. without costing the taxpayers a dime. The idea is to create a new government agency to manage the bailout.*

OK. Stop Right There!

How do we create yet another new Federal agency without costing the taxpayer a dime?

Are the people who'll do the work for this agency going to work for free?

Are people going to donate the buildings, supplies, vehicles, telephones, computers, networking, electricity, water, security, and everything else that it takes to operate a federal agency?

Money 'loaned' from the Treasury is going to come from where? Who provides it?

Either they have it on-hand (don't make me laugh...), or they BORROW it, in which case the taxpayers are on the hook for the interest, if nothing else.

And WHO among us believes ANY federal agency can run a break-even enterprise?? And if anyone DOES believe it, can you show me the agency that has done so in the past?

Posted by: **You Don't Say..?** on 09/28/08 at 11:52 AM [Respond](#)

Brian C. suggests: *I have a simple plan. The Government should just seize the assets of all the CEO's, mortgage bankers, real estate agents and others who caused this problem.*

I'd suggest we seize the assets of the people who REALLY caused the problems.

That would be The Politicians & Bureaucrats who always think they can legislate "what's best for the economy". Only every time they try it, we eventually see that they were essentially clueless.

But that's OK (for *Them*).

They always get us to blame the people who were wise enough to prosper under the new laws, regulations and rules the politicians have created, letting *them* off the hook, and letting *them* act like they know how to be the saviors, fixing what they don't want us to remember they were responsible for in the first place.

And every time, Jack & Jill Workingstiff end up the poorer for it all.

Only problem is, the same politicians & bureaucrats who bear ultimate responsibility aren't about to let their failures become part of the public debate, and they *most certainly* aren't going to pass any legislation that punishes *them* for the mess they've created.

Posted by: **You Don't Say..?** on 09/28/08 at 12:06 PM [Respond](#)

Sean wrote: *So divide 200 million adults 18+ into \$85 billion that equals \$425,000.00.*

Dude, I don't think you've thought your cunning plan all the way through.

\$85B divided by 200M is not \$425,000. It's \$425. As in, under a thousand.

But if that's enough to finally pay off that pesky mortgage, good for you.

Posted by: **The Other John** on 09/28/08 at 12:18 PM [Respond](#)

LMAO!

The guy is off by a factor of 10-to-the-3rd power, and we're supposed to take his plan seriously?

Even if he DID start with a number big enough to pass out \$425,000 to every adult, there are still a myriad of reasons why it would make us worse off instead of better.

Posted by: **Our Financial Savior** on 09/28/08 at 12:39 PM [Respond](#)

EXTORTION is the name of the game. It is extortion these Wall Street capitalists are pulling on Congress when they say if Congress doesn't give them the money FREE, then everything will collapse.

Put them in jail for extortion if they do not want to personally borrow the money making government liens against their capital assets to keep the economy from collapsing.

Worthless securities that are worthless for them are worthless for the taxpayers, and should not even be considered as collateral; way too risky; they must provide collateral other than their worthless securities. They do have capital collateral and they need to provide it, and sign a lien against their equivalent capital assets for the money being borrowed at the going rate of interest; for 20yrs, 30yrs or 50 yrs. This is just. They did it --- they need to suffer the slings and arrows of their misfortune of their own making. NO MORE FREE RIDES FOR CAPITALISTS.

All Congress men and women who are not DLC-Republican Lite EXTREMISTS or REPUBLICAN EXTREMIST should vote against any FREE BAIL OUT of the irresponsible, unaccountable Marie Antoinette capitalists. Of course, the Republican Lite EXTREMISTS and the REPUBLICAN EXTREMISTS are looking for a FREE RIDE at the expense of the taxpayers and are seeking a FREE BAIL OUT.

These extortionists need to pull themselves up by their bootstraps, quit groveling and do it themselves, just like the average Joe is expected to do.

Posted by: **MarthaA** on 09/28/08 at 4:59 PM [Respond](#)

MarthaA observes: *EXTORTION is the name of the game. It is extortion these Wall Street capitalists are pulling on Congress when they say if Congress doesn't give them the money FREE, then everything will collapse.*

Yep.

And that shining, heavenly example of all that is right with America, Barack Obama, is ready to give them what they want, just the same as that hell-spawned example of the worst of America, John McCain.

Third Party or Independent, anyone?!?!

CHANGE, anyone?!?!

Posted by: **You Don't Say..?** on 09/28/08 at 5:15 PM [Respond](#)

I have read that part of the plan allows financial institutions to suspend payment of dividends, is this true? One would think that almost all bank preferred stock will tank as they are mostly 6%-9%

paying stocks. Anyone know?

Posted by: **James** on 09/28/08 at 6:44 PM [Respond](#)

"The Two-Percent Solution"

By an act of Congress set owner-occupied home mortgages at a 2% interest rate for the next two years.

Call it a "Moratorium." Give Main St. the prime rate that Wall St. gets.

This stops foreclosures and stabilizes the bundled mortgage-based securities. The bond holders will be able to quickly calculate how much income will be coming in for the next two years. Massive write-offs by Wall St. securities firms will stop. Real estate prices will stabilize.

And it won't cost taxpayers a dime.

It addresses the moral problem of this situation which is that everyone who bought a home has been ripped off - not just people with subprime starter periods in their loans.

It is much simpler than waiting for people to get into foreclosure and burdening our court system with a responsibility it can't handle. Individuals can never match the power of a financial institution - even with court-assisted mediation. Congress has the constitutional power to regulate commerce domestically and internationally.

As individuals and as a nation we have to earn our way out of debt. The only way to do that is with an interest rate we can afford.

After Congress and the people figure this out we try 2% on past credit card debt, 2% on credit for home insulation, 2% on home solar equipment, etc.

We need the time to figure out how to regulate the mortgage and financial industry. Try cutting realtor fees from a percentage to a flat fee. Cut mortgage initiation fees. Reduce leveraging, short-selling; redo bond rating, make new financial instruments apply for congressional approval.

The bailout will be a huge mess if it ever gets started. The "Two-Percent Solution" is simple. It sends the right message to the places around the world that hold "liquidity" - that deception, thievery and usury are against the principle of the people of the United States... and that we the people will take back the authority to understand and regulate the "industry" of finance.

Posted by: **Dr.Dan** on 09/28/08 at 8:00 PM [Respond](#)

MarthaA, Again, you're flashing your whole card! Your outright loathing for the Repub's is showing through like a pimple broadcasting it's ugly head. What a sight!

This loathing gets in the way of anything intelligent you may accidentally one day spout. The Republicans are the minority in the House & Senate these days. Did I forget to tell you...again.

I'm not saying Bush isn't complicit; I'm saying, your a left wing loon. Get some help, or just learn something.

Posted by: **Jimmy** on 09/28/08 at 9:38 PM [Respond](#)

The heart of the problem is the glut of foreclosures, with many more to come. My idea is to start with a 90 day moratorium on foreclosures while legislation is enacted to essentially create mini-RTC (Resolution Trust Corporation) entities in each state. These entities would be run by each state under guidelines spelled out in the federal legislation. This would be a partially funded (2/3 federal?) mandate. The concept would be to maximize income for each property while an orderly process of placing some of the homes on the market would occur over time. The problem mortgages would be divided into three groups with three different solutions: those that could keep their mortgage with some minimal assistance, which would be provided in the form of subsidized fixed rate mortgages; those that can't afford a mortgage but could still live there and pay enough rent so that only a small subsidy would be needed; and those that had no business buying the house in the first place would lose their homes, but the homes would be rented to maximize the cash flow to the lender (people have to live somewhere). I thought a year ago that this step, or something similar was needed, but who am I...?

Posted by: **jonthing** on 09/28/08 at 10:18 PM [Respond](#)

Wow. How many idiots on this site can't do math? Get a calculator before you go on your rant. You just make yourself and your position look foolish. It's 425 per person, not 425,000... Everyone hates the

bailout. Out of the 200 Billion they have already spent HALF has gone to the CEO's and Directors in severance and exit bonuses. That's what this is all about. The greedy SOB's that caused this problem have reduced their organizations to such a sorry state that there is not enough equity (money) available for them to exit with their big "golden parachute" exit packages. So they go to the government and swing a deal at the taxpayers expense. And still, NOTHING is done to help American families keep their homes.

Posted by: **Go back to school** on 09/28/08 at 10:46 PM [Respond](#)

<http://www.thenation.com/doc/20081013/stiglitz>

Posted by: **RGW** on 09/29/08 at 6:42 AM [Respond](#)

Here are some alternatives:

Part 1:

Pass a law with a retroactive cap on mortgage rate interest (say 8%). The purpose would be to adjust all the ARMs that have gone sky high and made home unaffordable to people. Banks currently can't renegotiate these loans because they don't own the loans, which were sold off as securities. That's why the government says buying them will help. This will accomplish the same thing without \$1 of federal money.

Part 2:

Allow bankruptcy judges to redefine mortgage contracts. Judges are allowed to change credit card contracts to make the debt affordable. With secured debt, however, the person in bankruptcy either has to give up the asset or pay in full. In this market, people would rather give up their house because it's value is so low. Allowing judges to adjust the mortgage to a more market-sensitive amount would encourage people to stay in their homes and allow the banks to make some of their money bank. The bank is going to lost more money in a foreclosure so this is in everyone's interest. Unfortunately, no one can do this now because judges aren't allowed to adjust mortgages and banks don't own the mortgages.

Posted by: **Bruce** on 09/29/08 at 11:46 AM [Respond](#)

Bruce suggests: *Pass a law with a retroactive cap on mortgage rate interest (say 8%). The purpose would be to adjust all the ARMs that have gone sky high and made home unaffordable to people.*

Are you *sure* you want to have federal government set such a precedent?

You really want to tell them that they have the power to redefine existing legal contracts between private parties, whenever they decide to claim "it's for the public good"??

Reminds me entirely too much of the concept that government can seize real estate from a private owner and turn it over to a private developer because they've decided to claim "it's for the public good". And I think the abuses of power would end up being very similar, should they decide they CAN redefine existing private contracts.

Posted by: **Are You Sure You Want That?** on 09/29/08 at 12:01 PM [Respond](#)

low bankruptcy judges to redefine mortgage contracts.

Posted by: **mirc indir** on 09/29/08 at 12:03 PM [Respond](#)

I think the rich should pay for this mess, it was their greed that got us into this. Instead of putting blinders on mortgage rates and surprises in the fine print, they should have said no to begin with and all of these businesses wouldn't be bailing each other out and closing brick and mortar stores. People get foolish when it comes to greed.

Posted by: **Ms Shar** on 09/29/08 at 12:05 PM [Respond](#)

To: The Honorable Dr. Ben Bernanke, Ph. D., Federal Reserve Chairman

EXTREMELY URGENT:
09/17/2008

(This plan was faxed on 09/17/2008 to Bernanke, Paulson, Pelosi, Reid and President Bush, all apparently ignored or at least rejected this to date!)

70% of the economy is consumers and 70 to 80% of us are tapped out.

35% to 45% of us lack jobs that pay a decent living wage.

10% to 15% of us don't have a job at all worth mentioning.

40% to 50% of us are in deep debt.

20% of us have no health insurance.

THE Solution that will work:

"Relief checks", huge ones, \$2,500.00 for every household with incomes under 150k per 2007 tax returns every 90 days until the system is successfully re inflated or else we all go into at deflationary depression. Even for those households without any 2007 income must receive \$2,500.00 "relief checks". These checks all need to hit all mailboxes in 30 days. These checks will almost all be deposited in banks, will pay down debts, stimulate the economy through increased consumption and of course re inflate all the banks, all at the same time in swift fashion. But they need to be huge checks to work, and as many as required until the system is successfully re inflated from the "bottom up".

Dr. Bernanke, you have the chance to save us but you must have the courage to do so. Please strongly consider this. Re inflate from the "bottom up" or I just know all other efforts will fail to work. I have studied this subject and the macro facts for 24 years. I know you're scholar of the history of the Great Depression yet I believe you may not yet understand the dire need to "re inflate from the bottom up" to avoid disaster.

You can give the banks a trillion or more but they will still refuse to loan freely and with ultra low rates. And consumers and business will still refuse to borrow unless in they are in full panic mode and of course all those loans to will end in default. Re inflating from the bottom up is the only way to stop the current vicious and most destructive cycle of asset destruction / deflation.

Bottom Line: Either we "kick start" the system from the bottom up or we face a decades long deflationary depression again. Hyper Inflation efforts will fail in the worst fashion if attempted. Please, think long and hard about this. Review it with other bright minds. Ask me any questions you desire but above all else act swiftly as the time is almost out. We are facing the point of no return! Let's stop the deflationary forces before it's too late and avoid any silly hyper inflationary tactics that are surely doomed to fail if we fail to act correctly now with "relief checks"!

Sincerely,
Christopher Bean

Posted by: **Christopher Bean** on 09/29/08 at 12:07 PM [Respond](#)

Rebuild the Economy from the Ground up, Literally | Columbia Spectator
<http://www.columbiaspectator.com/node/55869>

Posted by: **Robert Evans** on 09/29/08 at 1:00 PM [Respond](#)

A comitee of prominent people
in business, take it out of government, election season is not conducive.

Posted by: **D dahl** on 09/29/08 at 1:01 PM [Respond](#)

Well, "Are You Sure You Want That?" responded to me asking if I really want the government setting the precedent of retroactively changing contracts. In truth, no, I do not. But, the government already does it all the time (e.g., bankruptcy courts do it). Our entire Social Security system is based on a contract that the government can and has changed any time they get the political will to do so. I think most of what the federal government does is an obvious violation of the Constitution, but the US Supreme Court threw out the Constitution back in the '30s when it finally quit opposing the New Deal.

I see changing mortgage contract as probably better than a \$700b bailout. But, I don't really see why the government needs to do anything. Bush et al say the bailout is needed to allow banks to start lending again. But, how is more borrowing going to solve the problem?

By the way, I moved into a new townhouse community a few months ago. The community is still under construction, but so far, well over 100 townhouses have been sold and moved into, and the developer has four more buildings (32 homes) under construction with 24 of those homes already presold. Not one townhouse completed has not been sold. The key is the developer has managed to sell at a cost no one else is matching: 1300-1500 sq ft for \$115-130,000. Those are price-levels my area had 5 years ago, but 2 years ago these homes would have sold for well over \$200,000. So, it isn't that no one can sell homes or there aren't banks willing to give loans; it's just that too many homes are still overpriced.

Posted by: **Bruce** on 09/29/08 at 1:02 PM [Respond](#)

Insuring failing banks is like offering flood insurance to residents of New Orleans after the levees have broken.

Posted by: **Jenny Findling** on 09/29/08 at 1:10 PM [Respond](#)

The president will have to assume FDR-like powers to solve the derivative collapse.

He should declare all derivatives placed outside of legally regulated markets (90% of them) null and void. These "bets" - worth \$180 trillion according to the U.S. Office of the Comptroller of the Currency in America alone, and up to \$450 trillion worldwide - could not have been made in regulated markets, because the players had insufficient collateral.

If the parties object to the elimination of their derivative bets, they should be reminded of the penalty for fraud; it is inconceivable they did not know they were establishing positions far beyond their ability to repay.

For every buyer there is a seller, so the amounts lost would zero out and no party would gain an advantage. We would just get to reset the clock. This is as fair as things can be made, given where we are.

What is causing the panic in the markets right now is the realization that the losers have insufficient money to pay the winners. The domino effect of multiple collapses cannot be stemmed by any government, even by running the printing press overtime. The only solution is to wipe the underlying derivatives off the books and ensure these bets are never made again by creating laws to send those who make them in the future to jail.

Posted by: **Scott Baker** on 09/29/08 at 1:47 PM [Respond](#)

The destruction of Freddie Mac and Fannie Mae, and the possible collapse of hundreds of banks, would wreck tremendous damage to our economy and the world economy. Instead of bailing out the banks at taxpayers' expense, however, I modestly propose another solution.

Set up a new independent corporation to buy the bad loans from the lenders at 70 cents on the dollar. The funding would come from new bondholders (even some of the investment houses that got us into this mess in the first place), not taxpayers. Banks would be happy to be rid of their bad loans and bondholders would be willing to take a chance on buying a bond where the chance of failure of the underlying loans is already 30% discounted. Bank balance sheets would instantly improve, helping them adjust their reserve ratios and making it possible for them to lend again - this time with regulations that make sense. This would also help millions of homeowners who need loan adjustments. Of course, the people running this new corporation - call it "Rescue Mae" - would have to have an impeccable reputation (or else bondholders would balk), be independent, and act prudently in choosing what to acquire. (If this purchase is still not enough to clear the really toxic loans off the books, wait a couple of months and then set up a second bond issue to buy the remaining bad loans at 50 cents on the dollar). The opportunity to sell these loans off at these prices should not be open more than a couple of months, in order to encourage resolution. In addition, Rescue Mae would have a finite lifespan until the loans are worked off - this is NOT to be an ongoing solution to compensate for lender malfeasance.

After the current crisis settles, new regulation must be enacted to ensure this never happens again. We had such regulation for decades after the Great Depression, until it was systematically dismantled during the 1980s-2000s.

1. Banks should keep loans on their own books instead of selling them off; they need to "have skin in the game."
 2. All lenders or buyers of loans should have sufficient capital reserves so the taxpayer will not be on the hook to bail them out. The larger economy should not suffer for the bad actions of a few lenders.
 3. We need to get over this idea that every adult with a pulse should be a homeowner. Renting is often a sensible solution, especially when a person may need to move quickly to find another job (See: Detroit: Auto Plant Closings) or for other reasons. I did not buy my own home until I was 44, then I paid it off in full in four years. We need to remind people that their home is not an ATM and that they should pay it off by the time they retire.
 4. Subprime should cease to exist as a category; it does not work for either borrower or lender and methods to make it palatable for lenders - such as jacking up interest rates - actually cause the very problem - defaults - that banks need to avoid. Eliminating subprime would not reduce the number of loans significantly - congressional estimates say that 2/3 of the subprime loans could have been financed with conventional prime loans; the lenders simply used subprime to collect extra fees. This is unconscionable and a case of the tail wagging the dog.
 5. Finally, 20% down should be the rule for all homebuyers, and background and credit checks must be required as well. Anything less is negligent and fraud.
- These rules worked for decades and will work again.

Posted by: **Scott Baker** on 09/29/08 at 1:50 PM [Respond](#)

Nice idea but far too cumbersome. As a developer/real estate agent I can guarantee you that the skills to do this economically are not out there. This kind of activity-the would-be house flipper-improver is part of what made the mess we are in. These people actually lost decreased the value of properties.

Posted by: **Candace Hyde-Wang** on 09/29/08 at 2:13 PM [Respond](#)

Too cumbersome and the skills to do it well are not out there. Effective development is an art, which is one reason the federal government got out of the housing business. I have seen would-be developer-speculators "improve" properties by reducing their value by one-third. In my community this is where most of the REO's come from.

Posted by: **Candace Hyde-Wang** on 09/29/08 at 2:18 PM [Respond](#)

Uh, \$85B/200M = \$425 per person. Your stimulus package earlier this year was more. We saw how quickly that burned through the system.

Posted by: **Tim** on 09/29/08 at 2:52 PM [Respond](#)

Send a check to each taxpayer divided up the \$700B bailout for \$2300 each (or whatever it is) they can then buy shares of Berkshire Hathaway.
Let Warren Buffet do it, he probably can do a lot better than any of em.

Posted by: **jl** on 09/29/08 at 3:23 PM [Respond](#)

Absurdity rules the day!

Why is it any more preposterous or absurd to declare a national emergency and a moratorium on mortgage foreclosures?

ABSURD: Let the Wall Street capitalists choke on their "free market."

ABSURD: Protect the people, not the free market robber barons.

ABSURD: Bail out those who have lost their homes, or who face default and foreclosure.

ABSURD: Force banks to re-write mortgages at the prime rate, with their home's values reappraised at current market values.

ABSURD: Force all lenders to re-write or write-off all existing consumer debt.

ABSURD: Force universal health care insurance.

We are witnessing an attempted government-financial coup brought on by greed and incompetence.

ABSURD: Let power and privilege now shift to the people.

Posted by: **Robin Hood** on 09/29/08 at 4:47 PM [Respond](#)

As a history nerd, I have done a considerable amount of reading on the Chilean Banking Crises of 1982, and find some interesting parallels, strategies, & solutions. There is much to be learned from that crisis as they successfully managed a financial meltdown much worse than our current predicament. Another thing that really makes the Chilean Crisis interesting is it took them some time to figure it out so they tried several different strategies before they got it right.

Note: As a former financial analyst I cringe every time I hear some idiot in the news saying that you can't value these securities. In reality they can, they just can't show anyone those numbers without impacting the holding companies credit rating and stock price. So step one is to come up with a good model using updated conservative assumptions the same assumptions should be applied over all securities. As much as possible good securities should be separated from crap they should be repackaged into two buckets marketable and unmarketable. The following recommendations only apply to unmarketable securities.

My recommendations:

As I mentioned before the Chileans employed several different strategies all at once. One of these involved buying mortgages from banks in a similar manner to Paulson's idea. The Chilean framework was much more clever and was effective of "cleaning the books" of the banks while keeping most of the risk on their side. The way that they did this was to buy mortgages, but they would only hold them for 10 years and the same banks that they had purchased them from would have to repurchase those assets.

In our scenario we should keep the option to sell the securities if conditions improve and we can make a profit by selling in the market. But if this improvement does not occur the original selling firm will be required to repurchase the asset (one way to look at this is a collateralized loan).

But the whole point is to recapitalize these banks. The best way to get new capital in their coffers is to require any firms who sell distressed securities to bifurcate their stock. Original stock would be obligated to repurchase the securities. New stock (and new investors) will be free to capitalize the banks without worrying about repurchasing the securities after the 10 year period. This is what the Chilean's did and it worked.

Another thing that they did that was quite clever was they made sure that no mortgagee knew if the government had bought their mortgage. This is important because I guarantee you if people know the government holds their mortgages there will be a dramatic reduction in debt service just based on the expectation that they can reduce their own costs (especially if the government starts a restructuring service as Senator Dodd has proposed).

This is just one idea, there are many more, all with less exposure to the American taxpayer, all with less risk of moral hazard than the current proposal. The current proposal is not very well thought out. It pays too much attention to the wants and needs of the financial sector and not enough to everyone else.

One thing everyone needs to realize is the impacts of a credit crunch have been overblown by Paulson, the Bush administration and most of the press (who doesn't really get any of this). This exaggeration has negatively impacted the markets. In time we are going to see that:

1. Credit Markets aren't going to completely dry up.
2. The limiting of credit will not be as dire as it is being purported by the press (they act like every business in the country uses a line of credit to cover payroll expenses)
3. People will realize that Wall Street is not the only source of capital, and is not really as important as some people want to think it is (Paulson & Wall Street).

Posted by: **David** on 09/29/08 at 5:09 PM [Respond](#)

Bernie Sanders is addressing th problem in his idea. Theeconomy was bad before the banks did their tanking and the only way out is to restimulate the economy and get money flowing to working people. I'd rather see the money used for all the infrastructure we need. How about using some money to fund a People's National Bank that would supply loans for qualified mortgages, student loans, small business and farms, provide a program of mortgage buy out to people with the bad loans that wuld provide a longer payback term of 40 or 50 years at a reasonable fixed rate so they could stay in their homes. It would be run ethically and for profit to ease the loss of the big firms and to hopefully augment taxes and programs.

Posted by: **AncientRvr** on 09/29/08 at 5:12 PM [Respond](#)

MY PLAN: Do nothing, precipitate revolution when jobless and hungry main-streeters take over the Wall street and the Pennsylvania street.

Posted by: **wild** on 09/29/08 at 5:31 PM [Respond](#)

Why not give a percentage of the money directly to the people? For example from \$500,000 to one million for each American citizen to do with it as they will. They can pay for their mortgages, reinvest if they like, line their mattress', or save and live off of it. It is not too much money but it will give people a break to be their own CEO and see what happens. It leaves enough for the government to screw up the rest.

Posted by: **Nina** on 09/29/08 at 5:32 PM [Respond](#)

In order to establish liquidity, have the Federal Government establish a fund for directly offering mortgages: a Federal direct mortgage program. The citizen puts up 20% cash on a property. The Federal government puts up 80% in a fixed rate, no prepayment penalty mortgage. The rate is set at 2% above an agreed upon index at the time the mortgage is funded (such as the average T-Bill rate, or rate of inflation, etc.) With this program, there is liquidity for safe investments. This formula has worked for a century. The private sector can compete against this program. This will work. We have to let risky investment schemes fail, and housing prices drop to reasonable levels. You cannot support a bubble.

Posted by: **Len Doberne** on 09/29/08 at 5:59 PM [Respond](#)

Enforce the basic laws, i.e., laws to deal with theft, fraud and contracts.

Posted by: **Cindy Joy** on 09/29/08 at 6:16 PM [Respond](#)

I know this was posted at least once, but perhaps someone will pay attention to it if it's repeated! Just think of the possibilities!

I'm against the \$85,000,000,000.00 bailout of AIG.

Instead, I'm in favor of giving \$85,000,000,000 to America in a We Deserve It Dividend.

To make the math simple, let's assume there are 200,000,000 bonafide U.S. Citizens 18+.

Our population is about 301,000,000 +/- counting every man, woman and child. So 200,000,000 might be a fair stab at adults 18 and up..

So divide 200 million adults 18+ into \$85 billion that equals \$425,000.00.

My plan is to give \$425,000 to every person 18+ as a We Deserve It Dividend.

Of course, it would NOT be tax free.
So let's assume a tax rate of 30%.

Every individual 18+ has to pay \$127,500.00 in taxes.
That sends \$25,500,000,000 right back to Uncle Sam.

But it means that every adult 18+ has \$297,500.00 in their pocket.
A husband and wife has \$595,000.00.

What would you do with \$297,500.00 to \$595,000.00 in your family?

Pay off your mortgage – housing crisis solved.
Repay college loans – what a great boost to new grads
Put away money for college – it'll be there
Save in a bank – create money to loan to entrepreneurs.
Buy a new car – create jobs
Invest in the market – capital drives growth
Pay for your parent's medical insurance – health care improves
Enable Deadbeat Dads to come clean – or else

Remember this is for every adult U S Citizen 18+ including the folks who lost their jobs at Lehman Brothers and every other company that is cutting back. And of course, for those serving in our Armed Forces.

If we're going to re-distribute wealth let's really do it...instead of trickling out a puny \$1000.00 ("vote buy") economic incentive that is being proposed by one of our candidates for President.

If we're going to do an \$85 billion bailout, let's bail out every adult U S Citizen 18+!

As for AIG – liquidate it. Sell off its parts. Let American General go back to being American General.
Sell off the real estate.

Let the private sector bargain hunters cut it up and clean it up.

Here's my rationale. We deserve it and AIG doesn't.

Sure it's a crazy idea that can "never work."

But can you imagine the Coast-To-Coast Block Party!

How do you spell Economic Boom?

I trust my fellow adult Americans to know how to use the \$85 Billion

We Deserve It Dividend more than I do the geniuses at AIG or in Washington DC.

And remember, The Birk plan only really costs \$59.5 Billion because \$25.5 Billion is returned instantly in taxes to Uncle Sam.

Ahhh...I feel so much better getting that off my chest.

Kindest personal regards,
Birk
T. J. Birkenmeier,
A Creative Guy & Citizen of the Republic

Posted by: **Mad's Mama** on 09/29/08 at 6:32 PM [Respond](#)

Yeah, Mad's Mama, it has been posted more than once.

And more than once it's been pointed that the idiot who wrote it was off by a factor of 1x10-to-the-third.

The actual amount you'd have if you do the division is \$425.00. Not \$425,000.00.

And that is just the start of what's wrong with this moron's proposal, but I don't feel like writing out the explanation again.

Posted by: **Do The Math..!!** on 09/29/08 at 6:45 PM [Respond](#)

Two plans:

Instead of a bailout that would cost every American \$3600 each, I have a better idea. Why not directly give every American taxpayer the money instead? It would mean more then the lousy \$300 or \$600 we got in the spring, and would go a long way to helping Americans pay off their personal debts first. With the extra cash poured into local retailers and banks, the national economy would improve. I know the people at Goldman Sachs were counting on the early Christmas bonus, but I'm sure the average American worker would appreciate it more.

If you were to split the \$700b amongst only the taxpayers it would amount to more then \$3600, so by limiting the amount to \$3600 the government will actually be saving money!

My other plan is not so nice. I would like to pile the 700 billion on the sidewalk in front of the exchange and tell the investors to jump from the roof onto the pile. If they survive, they can keep all the money they can fit into their left hand pants pocket. If they don't survive,,well, some of them were going to jump anyway, so this way they can die on a bed of money.

Posted by: **Bullet** on 09/29/08 at 8:12 PM [Respond](#)

Instead of sending \$700 Billion to Wall Street, why doesn't Congress find a way to send that money to taxpayers, who pay their loans, mortgages, fuel bills, etc.? If MainStreet got that money, either in the form of a stimulus check, or a tax credit, they would make the economy go again by paying off their bills, buying needed goods, and circulating that money trough the economy. I would propose a tax credit proportional to the decrease in property value we have experienced.

Posted by: **kim** on 09/29/08 at 8:31 PM [Respond](#)

...Instead of a bailout that would cost every American \$3600 each, I have a better idea. Why not directly give every American taxpayer the money instead?

Instead of sending \$700 Billion to Wall Street, why doesn't Congress find a way to send that money to taxpayers, who pay their loans, mortgages, fuel bills, etc.?

Listen folks, there is **NO Money Tree in Washington!!**

All this money you want the government to 'give' you has to be **taken from you in the first place, by way of various taxes! Then the government pays a nice, hefty percentage of your taxes to support it's own bloated self, so it'll end up costing you MORE than what you'll be 'given' back!**

Either that, or they print so much 'new' money to hand out that inflation makes the dollars into toilet paper.

Forget It! Until that Money Tree sprouts, any money the government hands you (OR Wall Street Tycoons) has been taken from YOUR pocket in the first place.

Get a Grip on that one simple fact!

Posted by: **Money Tree Nonsense Again.** on 09/29/08 at 8:41 PM [Respond](#)

Turned from distracting smoke and mirrors, the real problem belongs not to "Wall Street" and those whose game of choice is trading in what they like to call a "free market" but to the neighborhoods of "Main Street" losing credit and credibility to empty, unmaintained properties foreclosed upon in a frenzy of insanity.

These properties are "real" estate. They have value. Not so high as the bubble tried to make us believe, but real value, especially to those who thought of them as "home." A real cure for what ails US economy would encourage the profit motive and sanity, enlist investors (looking desperately for somewhere to put the money they have taken out of karmically challenged investment banks) to buy

these properties and work out mortgage or rental arrangements with those who want to live in and maintain them, by-pass the whole evil episode and get back to market trade based on real values that can be easily understood by Main Street and learned through experience by Wall Street.

Congress ought to demand unbundled mortgages be sold at bargain basement prices to local financial institutions and groups then required to work out equitable arrangements with homeowners/residents to keep them in those homes. This is how it should have been, mortgages held by community lenders who have a stake in keeping the community healthy and the authority to work out compromise arrangements with their customers.

Posted by: **Laurie Corzett** on 09/29/08 at 9:30 PM [Respond](#)

The suggestions I read are good, at least some of them. How about this, there are 300 million Americans, give us all 1 Million Dollars with a 30% tax, we pay off all mortgages, buy our own health care and invest in our childrens futures. The government, US saves 470 Billion Dollars and our economy surges beyond all expectations.

Posted by: **Rev Greg Hipskind** on 09/29/08 at 10:54 PM [Respond](#)

Hillary Clinton has been talking for months about correcting the problem at its source: re-negotiating mortgage loans that are likely to go into default under their present contracts. The "toxic" investments that have brought down banks and investment firms all go back to bad mortgage loans, and the industry has done very little to re-negotiate these loans. Sen. Clinton has proposed a new Home Owners' Loan Corporation, modeled after the original one in 1933, which helped people stay in their homes and also garnered a return on the taxpayers' investments. This is such a powerful idea, and I do not understand why her colleagues are not taking up this approach.

Posted by: **Elizabeth K.** on 09/30/08 at 6:37 AM [Respond](#)

I think your math is wrong-- it is 425 dollars per a person

Posted by: **Julie** on 09/30/08 at 7:10 AM [Respond](#)

Pass the bill; but, institute a 1/4 of 1 % tax on every transaction on the various markets. NYSE,Commodities markets,etc.
Make the markets contribute to the bailout from day one.

Posted by: **Anthony Theobald** on 09/30/08 at 8:15 AM [Respond](#)

This is a copy of a letter that I have sent to Sen. Obama:

I agree with most of your policies, however I do not agree with any type of bailout for Wall Street because:

1. It will increase our national debt and make it harder to achieve the goals that you want during your term in office.
2. It will weaken the Dollar, cause inflation, and could hurt our credit rating.
3. It will not restore confidence. It will only show people how bad things are.
4. Our tax money should not be used in such a manner.
5. This problem manifested itself in the lower & middle class; and a bailout would be trying to repair it by giving money to the upper class.

I don't want to just complain without offering a potential solution. I suggest that instead of another stimulus package; that the \$700 Billion be spent on GREEN Energy. Fill the empty abandon factories with workers making wind turbines, solar parts, electric cars, etc. This will create jobs; stimulate investments; and curb global warming. Lenders will be more likely to lend to these projects if the U.S. is involved. You could also sell "Energy Bonds" instead of war bonds. A free check from the government is nice, but the money doesn't go too far. People want to stand on their own two feet; not receive handouts. It would give people a sense of accomplishment; a common united cause. Once workers started making money, credit would once again free up. The problem with the bailout is that if it does not work, we are out of bullets! It could be the straw that broke the camel's back!

Posted by: **John Petty** on 09/30/08 at 10:03 AM [Respond](#)

This is an Op-Ed piece I wrote on this:

Don't Pump Money Into Banks; Let's Fix America's Infrastructure Instead.

Presently the political leadership of our country is debating the ways and means of rescuing many of the largest financial institutions in America with a HUGE bailout. After years of saying that the financial system would be the strongest it has ever been if we had less regulation and oversight, politicians of

every stripe from George W. Bush to Charles Schumer are crying about the importance of 'saving' large banks and financial institutions. Should the American taxpayer be on the hook for a \$700 billion bailout? I say no!

There is another crisis in America, one that is slowing down our economy, one that is affecting us all, one that is not getting airtime on the nightly news except when catastrophe strikes; our nations crumbling infrastructure. Consider the Minneapolis bridge collapse about a year ago. The I-35 Bridge had some design flaws and was overloaded on that day when disaster struck, thirteen people were killed and many more injured. It's easy to say that this is the exception, but most of the bridges in the country have received a failing grade from the American Society of Civil Engineers. Years ago when I was a beginning engineering student, governments started programs of 'deferred' maintenance for many infrastructure elements. What that means is we won't do anything to make sure that these structures are in good shape and safe for the public. Now we see American structures and the American economy in decay.

Once the provision of clean water in America was the envy of the world; now it is not uncommon to have a boil order placed on the water coming into your home. It is now so common that communities are painting special signs to place at the entrances of areas to warn residents. Half the hospital beds in the world are filled by people who have contracted disease due to poor water. In San Francisco the decision was made to redo the entire sewage and water distribution network for the community, that decision is saving them millions every year. This is something that every city, town and village in America needs. Who will champion clean water?

Many of the roads in America are in bad shape, inadequate, poorly constructed under lax supervision and now barely meeting the needs of Americas economy. It's more than just the pain of commuting from one place to another; these roads are arteries through which the lifeblood of the American economy flows as necessary as factories, farms and mines to keeping us strong. They need to be rebuilt and in some cases modernized for the challenges ahead.

There are other examples, the electricity grid, railroads, pipelines all of which could use repair, rebuilding and redesign to strengthen the American economical structures that is the engine of American wealth. Undertaking the rebuilding of the American infrastructure would provide many high paying jobs to help those whose homes are at risk, who can't find a job that pays more than minimum wage or who have been unemployed for an extended period. The economy does need an infusion of cash, but not to the people who have endangered it by rash speculation. Let's use this chance to make the engine of the economy strong again.

Posted by: **Harry S. Whiting II** on [09/30/08 at 10:36 AM](#) [Respond](#)

I agree with those who are saying the solution lies in shoring up the underlying mortgages rather than the various private financial entities. In fact I would make these entities pay for any bailout by (as suggested before) a surcharge on transactions or a tax on salaries of executives working in the financial industry. If the government were to shore up any bad mortgages a special 30 year lien should be put on these properties so that if the property increases in value in the future the government (i.e. taxpayers) can recoup the costs for bailing out that property.

Posted by: **L Porter** on [09/30/08 at 10:49 AM](#) [Respond](#)

What do you think about Dave Ramsey's Common Sense Fix?

http://www.daveramsey.com/etc/fed_bailout/3_steps_to_change_the_nations_future_10928.html

Posted by: **Jan** on [09/30/08 at 10:58 AM](#) [Respond](#)

How about this, there are 300 million Americans, give us all 1 Million Dollars with a 30% tax..

Will you people please come to your senses, and get over this "Gov't gonna make me rich" nonsense!!

This is really simple to understand, if you'll take 3 1/2 seconds to think about it.

For the government to give every taxpayer \$1 million, it first has to TAX the taxpayers to collect that money. After which, it takes a sizable portion of what it collects to support it's own bloated, inefficient operations. THEN it can spend what it has left on trying to make us all rich. But you want them to take another 30% of the money they just taxed us for in the first place?

The American taxpayer ends up with LESS money than if they hadn't taxed us in the first place.

Not to mention that if everyone suddenly has a million dollars on hand, a million won't buy very much, because money is now Very cheap, but the supply of products & services is unchanged.

The only alternative to taxing us for the money they're going to 'give' us would be to print billions of 'new' dollars, in which case we suffer massive inflation, and the money we've already earned and saved is worth far less than when we earned it. We're still poorer than before.

There Is NO Money Tree Growing In Washington D.C.!!

Posted by: **NO Money Tree!!** on [09/30/08 at 11:04 AM](#) [Respond](#)

Ok Birk, first off, your math is terrible, \$85 Billion divided by 200 million is only \$425 per person. This totally throws off the rest of your argument. If you can't do simple math, why should I believe in the logic you put forth either?

Posted by: **Mike** on 09/30/08 at 11:53 AM [Respond](#)

How about telling us why plans 3, 4, or 5 WON'T work not that they are politically unappealing to pass? This is the problem instead of considering alternative plans that might calm this crisis and get the economy pointed in the right direction everyone is concerned about what will sell to progressives, conservatives, etc. Maybe if the plans and their pros and cons re: current economic crisis were discussed openly among the electorate a consensus would start to take shape that Congress would get behind. But I guess that would mean you have to assume that the American voters aren't a bunch of sheeple that take their marching orders from Fox News and MSNBC...on second thought never mind.

Posted by: **TexGator** on 09/30/08 at 12:33 PM [Respond](#)

Here is what I sent to my state reps and to Obama AND McCain. I don't care who fixes it- just don't kill us off with the \$700 Gajillion joke of a plan!

The Common Sense Fix

Years of bad decisions and stupid mistakes have created an economic nightmare in this country, but \$700 billion in new debt is not the answer. As a tax-paying American citizen, I will not support any congressperson who votes to implement such a policy. Instead, I submit the following three step Common Sense Plan.

I. INSURANCE

a. Insure the subprime bonds/mortgages with an underlying FHA-type insurance. Government-insured and backed loans would have an instant market all over the world, creating immediate and needed liquidity.

b. In order for a company to accept the government-backed insurance, they must do two things:
1. Rewrite any mortgage that is more than three months delinquent to a 6% fixed-rate mortgage.

a. Roll all back payments with no late fees or legal costs into the balance. This brings homeowners current and allows them a chance to keep their homes.

b. Cancel all prepayment penalties to encourage refinancing or the sale of the property to pay off the bad loan. In the event of foreclosure or short sale, the borrower will not be held liable for any deficit balance. FHA does this now, and that encourages mortgage companies to go the extra mile while working with the borrower—again limiting foreclosures and ruined lives.

2. Cancel ALL golden parachutes of EXISTING and FUTURE CEOs and executive team members as long as the company holds these government-insured bonds/mortgages. This keeps underperforming executives from being paid when they don't do their jobs.

c. This backstop will cost less than \$50 billion—a small fraction of the current proposal.

II. MARK TO MARKET

a. Remove mark to market accounting rules for two years on only subprime Tier III bonds/mortgages. This keeps companies from being forced to artificially mark down bonds/mortgages below the value of the underlying mortgages and real estate.

b. This move creates patience in the market and has an immediate stabilizing effect on failing and ailing banks—and it costs the taxpayer nothing.

III. CAPITAL GAINS TAX

a. Remove the capital gains tax completely. Investors will flood the real estate and stock market in search of tax-free profits, creating tremendous—and immediate—liquidity in the markets. Again, this costs the taxpayer nothing.

b. This move will be seen as a lightning rod politically because many will say it is helping the rich. The truth is the rich will benefit, but it will be their money that stimulates the economy. This will enable all Americans to have more stable jobs and retirement investments that go up instead of down.

This is not a time for envy, and it's not a time for politics. It's time for all of us, as Americans, to stand up, speak out, and fix this mess.

Posted by: **Amy** on 09/30/08 at 12:35 PM [Respond](#)

The core concept proposed by Bush is flawed. Call some hearings and ask some economists. Google Sweden 1992 banking crisis. They had good success promptly steering their financial institutions back to safety. Learn the lessons, write it for the Dems to vote it in and own it. The "compromise" tweeking that was done to the Bush proposal resulted in a toothless and weak 100 page bill that tried to bury and hide its weakness from the voters. Rather than condescendingly claiming that the American people didn't understand (Cf, McSame of Obama at first debate), or that the leadership didn't explain it well enough, the reality is that if your congressperson voted in favor of bailing out the bad actors, she-he/it would lose votes from constituents in five weeks at the next election. That is their only "moral hazard". The bill that failed would not have prevented one foreclosure, could have been filibustered until Bush

spent all \$700B, would only have made some parachutes non-deductible, merely required a report "suggesting" how the taxpayer will be paid back, and allowed the same lobbyists to set prices for their trash that the taxpayers would pay. As a final insult, instead of providing more confidence through transparency, the failed bill would allow Paulson to suspend the mark-to-market rule. This is intellectual dishonesty that will further erode confidence in our banking system. Do a better job on all these issues and allow bankruptcy judges to implement the rewriting of loans for the 10,000 foreclosures per day, or face the wrath of the voters. I think many voters would accept the temporary governmental ownership of the banking sector as long as the bad guys aren't seen as maintaining their ability to subvert the programs and continue to rip off the system. Don't pull another FISA cave.

Posted by: **RichardfromHB** on 09/30/08 at 2:51 PM [Respond](#)

There are too many math fairies here. They should be sent to math gulag before they should be allowed to take out a mortgage. But wait, they already have a mortgage...

Posted by: **mathFairy** on 09/30/08 at 3:47 PM [Respond](#)

This is a perfect example of why we need to force Congress to pass the *Read The Bills Act*.

Today, Congressmen and women will vote according to what their party 'leadership' dictates, and they'll never bother to sit down and read the actual bill. Or they'll vote according to what the lobbyists and their advisers tell them will get them the most votes, and again, they'll never bother to find out what's in the bill.

Read The Bills Act would require any Senator or Representative to sit for a full reading of the bill, or else they would be ineligible to vote on it.

It would also require that the bill's text be posted on the internet for 7 days (min.) to give constituents a chance to read and understand what Congress is proposing to saddle us with.

If changes are made to the bill after a reading, then fine. It just triggers a new "Reading" requirement, but to save time, they might just do a reading of the parts that changed. But it's still "be present for the reading, or you can't vote."

Bills'd be more concise, wouldn't they? Less crap would get hidden in them, since the public would get to see what was embedded in the text. Bad bills would have their flaws exposed BEFORE they became law.

What's not to Love?!?!?

How many of us remember Speaker Pelosi making the remark, in front of the cameras, "None of us knew THAT was in the bill when we voted for it!"

In other words, "We haven't been doing our jobs. We haven't been exercising due diligence on your behalf."

That sh!t needs to cease.

Here's detail on the Read The Bills Act proposal:
www.downsizedc.org/etp/campaigns/27

Anybody got a problem with a law like that?

Posted by: **Read The Bills Act** on 09/30/08 at 5:25 PM [Respond](#)

Of course bailing out the fat cats with no job solutions, no money coming in from the citizens who pay taxes to fund this 700b is completely beyond my comprehension. I am a small business owner and even I know this is a scare tactic same as the war with Iraq, and the outgoing Administration is going to go home with as much in their pockets as they can, they will also pardon as many as they can to keep in good graces for those who had to take a fall. This happens with every election when the outgoing president cannot run again. History is a keen tool to look over...helps a person not make the same mistakes...but in America's case...many flunk this little History test.

Simply, if the 700b is burning a hole in the Feds pockets...then the clearest plan is to divide this money among the American Citizens 18 years and older. With this money, those with a mortgage can pay it off, those with talents in business can buy out those failed businesses that need the money, Wall street can continue to crash so normal citizens can buy up cheap stock, then the citizens can afford to pay their bills, buy cars, put money away for college funds, dump their credit cards, refurbish their homes to incorporate "green" economy saving energy items. The citizen would be able to create or operate new business.

Seems to me, Wall street and the failing banks would not need the money then, empty houses could be bought, the homeless could afford a place other than the streets.

Once this plan was agreed upon, then the people need to rething the two party system and elect Constitutionalist, real economy planners and cut the Federal Government in half. Get rid of the Federal regulations and provide real "free market" entities. Put the citizens back in control of their own affairs.

Promote businesses where profit sharing drives the business, or employee owned business entities.
Drive Wall street out of business, this ensures the citizens control the cost of living to the means.

Posted by: **Betty Lou** on 09/30/08 at 5:52 PM [Respond](#)

If you were to listen to financial news, a la Bloomberg, as 99% of Wall Street does, you may have heard the show "On The Economy" where alternatives are discussed by the 'best minds on Wall Street'...there you would have heard Charles Calomiris, a professor at Columbia speak intelligently about the equity purchase solution. His approach is generally supported by others in the field (<http://www.voxeu.org/index.php?q=node/1683>) At the time of the interview on Bloomberg he had not been contacted by a single member of Congress regarding potential alternatives to the Paulson plan. The Calomiris plan minimizes the taxpayer risk.

Posted by: **Frederik** on 09/30/08 at 7:00 PM [Respond](#)

Betty Lou suggests: *Once this plan was agreed upon, then the people need to rething the two party system and elect Constitutionalist, real economy planners and cut the Federal Government in half.*

More than two parties 'allowed' to participate, and covered by the press?

Absolutely!

Constitutionalists, **Absolutely!**

"Central Planners"..?

I think they're largely responsible for the mess we're in now. Central Planning doesn't work. The Soviet Union proved that pretty convincingly.

Cut the Federal Gov't in half..?

Absolutely!

I'm with ya'.

As to the idea of having the government pass out hundreds of billions of dollars to the taxpayers.., money they'll have to collect from the taxpayers in the first place..

That issue has been covered several times in this discussion.

It's a Self-Defeating strategy.

Posted by: **NO Money Tree!!** on 09/30/08 at 7:05 PM [Respond](#)

Bernie Sander's plan is the best, IMHO.

The people who have benefited the most from deregulation should be the ones to foot the bail out bill.

Our representatives in Washington can also pass the hat and chip in their share at the same time.

Posted by: **SageMother** on 09/30/08 at 9:00 PM [Respond](#)

I vote for Sean Rowlette's Plan. I pretty well got wiped out in 2001, this would bring me back into the game instead of explaining to bill collectors why McDonalds won't hire 60 year old white guys. I want to go to the block party too. And the current generation can become more "optimistic" as well! Send this to Congress!

Posted by: **Not a homeowner** on 09/30/08 at 9:22 PM [Respond](#)

You make perfect sense Christian. You should be running for office.

Posted by: **Susan** on 09/30/08 at 10:59 PM [Respond](#)

I think that the plan should pivot around significant regulation of the financial markets, and anyone who receives taxpayer money should also receive yet stricter regulation. Then I think they should add a few more regulations since these banks obviously have some pretty significant lack of ethics, we need to make sure they are forced to abide rules that will prevent future abuses. This whole situation is ridiculous and displays the gross lack of moral fiber in our financial markets. I'd have though we'd learned this lesson from the events of 1929?

Posted by: **LF** on 10/01/08 at 12:46 AM [Respond](#)

I think that any plan should pivot around significant re-regulation of the financial markets, and anyone who receives taxpayer money should receive yet stricter regulation (CEO pay tied to a reasonable percentage of company profit?). Then I think they should add on a few more regulations since these people obviously have some pretty significant lack of ethics, we need to make sure they are forced to abide rules that will prevent future abuses. This whole situation is ridiculous and displays the gross lack of basic moral fiber and human decency in our financial markets. I'd have thought we'd learned more from the events of 1929.

Posted by: **LF** on 10/01/08 at 12:52 AM [Respond](#)

seems to me the problem started when interest rates were hiked and people could not afford to pay for their homes. why dont we go back to the previous interest rates and get people to start paying for their loans again. forget wall street. pay your mortgage now, and at the same time, improve the economy so as to put more money in peoples pockets so that its easier to pay their mortgages. peopel dont wanna move out of there homes!!

Posted by: **mark** on 10/01/08 at 4:16 AM [Respond](#)

Why haven't the media let people who have alternative solutions speak out? Why hasn't Congress listened to people who have alternative solutions? I hope it's not that all these people are multimillionaires and the bailout benefits them the most! Why aren't those who know how to solve problems from the ground up coming forward with alternative plans and given equal time in the media and Congress? We, the taxpayers should have the opportunity to know all plans and decide how to spend our money. Otherwise it is taxation without representation.

Here is my plan: We all tend to agree it is the mortgage crisis causing the problem. People can no longer afford to pay their mortgages.

1. Use the oil reserves for immediate relief of money pressures on goods and services that come from the high price of oil. This is a crisis like no other and oil reserves were meant to be used for this purpose.
2. Use some of the 700 billion to create high paying "green" jobs so that people could get back to work and pay their mortgages. This has the added benefit of loosening our dependence on foreign oil and investing in our own people in our own land. That is what would make our economy strong.
3. Immediately cap the morgage rates so that they do not balloon up. Change ARM's to fixed. That keeps people in their homes and banks still make money, though not as much as they would like.
4. Renegotiate home loans for any that can be done and find ways to do that with the others that were outsourced such as the New Deal plan.
5. Use some of that money to provide universal health care to take the burden off of small businesses and homeowners. This will free up money to pay mortgages and business expenses. It would also create high paying jobs in the health industry so people could pay off their loans.
6. Take some of that money and create good paying jobs by repairing our infrastructure. That would keep the money in house, give taxpayers some benefit for their money and strengthen our economy.
7. Take some of that money and invest in new schools and education. This also would create jobs and at the same time create a more intelligent work force and citizen. Maybe the powers that be don't want that?
8. Extend FDIC insurance so that there is not a run on banks and people can go about their business.
9. How can we afford all of this? Simple, 700 billion dollars buys a lot of improvements and puts our country back to work so we can pay our bills and invest in the stock market.

In this plan there is immediate solutions in using oil reserves, capping interest hikes on housing, and extending FCIC insurance. There are long-term solutions that will keep our economy in tact and benefit the taxpayer. If homeowners are allowed to stay in their homes, local property taxes will not take a slide and police and fire protection will stay in place. Otherwise, there will be chaos.

To those who say we will take care of the homeowner and other problems later, I say if we bail out Wall Street, we will have no money left to sustain our country and our economy.

Posted by: **Peggy** on 10/01/08 at 7:25 AM [Respond](#)

I agree with Amy. even though the mortgage situation may be the cause, there are several reasons for the cause.

Marking to market brought about by Sarbanes-Oxley is one of the reasons banks are finding themselves in a cash bind. there is also a reserve requirement issue at hand. Banks can't loan to each

other because the cash on hand is below the reserve requirement.

Lowering this requirement will free up the cash so that banks that still need loans after removing the mark to market rules will have an alternative to government seizure. This move will also allow those companies that are needing short term loans to be funded so that the fear of not being able to make payroll can be eliminated.

I like this plan because neither changing the mark to market rules nor changing the reserve requirement long enough to get things moving again will cost the taxpayers anything.

The question you have to be asking yourself right now is "Why are all of the politicians and news media pushing so hard for this bailout?" My answer, I believe they see this crisis as the quickest way to convince a multitude of Americans, through fear, that they should abandon some of their constitutional rights.

Posted by: **Chad Brookins** on 10/01/08 at 11:37 AM [Respond](#)

Peggy,

Using oil reserves will not affect the price on goods and services enough to make a difference. PLUS, using those reserves places an unnecessary risk on our national security.

Any decent economist knows that at this point the price of oil is dropping and along with it, the cost of all of the other items that rose as oil rose. Gas is coming down, food costs are coming down. All prices are coming down. That is what happens when you enter a recession or a depression. Demand drops and prices fall.

Demand is dropping because Americans have had enough time now to trade in gas guzzling cars for smaller more fuel efficient cars and hybrids. There was a period when people thought the price hikes were temporary. However, once the price of a gallon of gas rose above \$3.50, many began replacing vehicles. This process took over a year before there was enough of an impact - but now we are consuming much less gasoline and the demand is making a dent.

Now that China, India, and Europe are starting to feel the effects of the slowdown of our economy, their economy, and consequently their oil demand, has begun to decline as well. This will continue for many more months and we will likely see oil drop below \$80 a barrel and gas below \$2.75 per gallon by early 2009. So - there is no reason to use the reserves for price relief - price relief is already on the way.

Posted by: **Chad** on 10/01/08 at 11:45 AM [Respond](#)

Look at the No Bailout Act by Representative Peter DeFazio.www.defazio.house.gov/, or Dave Ramsey www.daveramsey.com

Both bills feature changing accounting rules & insurance, both are common sense and address the real problems

Posted by: **PRGK** on 10/01/08 at 12:43 PM [Respond](#)

...anyone who receives taxpayer money should receive yet stricter regulation ... Then I think they should add on a few more regulations since these people obviously have some pretty significant lack of ethics, we need to make sure they are forced to abide rules that will prevent future abuses. This whole situation is ridiculous and displays the gross lack of basic moral fiber and human decency...

You're absolutely right.

Let's start by placing massive restrictions on what Congress can do. They've clearly illustrated that they have no basic moral fiber, and they're the most massive consumers of taxpayer money we have.

For starters, lets revise the 16th Amendment to put in place an actual LIMIT on how much of our earnings they can appropriate. Currently, there is NO limit but their imagination.

Secondly, let's require them to function within their clearly *enumerated* powers, as the authors of the Constitution intended.

No more stretching the "Interstate Commerce" clause to say that they can prohibit an American from growing marijuana for their own medicinal use, in their own back yard.

They think their CHECKBOOK is unlimited, and they think their POWERS are unlimited.

It's time to educate them to the contrary.

Posted by: **DemoPublicans, Every One** on 10/01/08 at 1:59 PM [Respond](#)

I am watching these idiots on t.v. and none of them have a clue. None of them. Most of the experts

only know what they were taught in school, which has taught them the ins and outs of a failed system or a system doomed to eventually fail as it now has. We are returning to the old world european system of nobles and lords. And people better wake up and realize it real quick and stop believing what they are watching on t.v. and start thinking for themselves about common sense solutions. This bailout they are proposing is ridiculous because it solves no problems and they know it. The rich know it. Believe me. They know the problem lies with the fact that the Average American cannot buy a new car, cannot go on vacation, cannot remodel their home, they've killed their credit with credit cards which they use to pay for food, heat, christmas, etc. Not luxuries. Americans can only afford used cars not new. And those that do buy new can barely afford them. Mortgages are so expensive, everyone is broke. That is the problem. Nobody has money to spend on cars, homes, renovations, furniture, vacations, pools, clothes, restaurants etc...

The rich are taking their money out of banks and putting them in Treasury Notes even though they are not making any money because they know damn well, this economy in doomed unless they do exactly what you have said with a massive redistribution of wealth with a one time managed bailout of the American population. Other things have to go along with that but that is part of the solution without a doubt.

Nothing they do short of that will work. That which you have proposed along with some other things, regulations, enforcements, government takeover of the federal reserve which is robbing the United States taxpayers and keeping our country in debt. Yes they do have to help the banks with unfreezing credit, especially for commercial purposes. But the nations financial crisis would go to a boom in one day if they did this right and it would revolutionize world economic theory, which is exactly why they won't even mention anything like this. I will soon post a plan that will include all of this for blue collar people to read.

Posted by: **Cory** on 10/01/08 at 2:03 PM [Respond](#)

YOUR MATH IS OFF!!!!!!
85 billion divided by 200 million is \$425, LOL

I heard something similar earlier. Where are these guys getting their numbers from?

It sounds awesome, but it is not a reality. $425,000 * 200,000,000 = 85,000,000,000,000$ or 85 quadrillion!!

Posted by: **Brandon Chapman** on 10/01/08 at 5:59 PM [Respond](#)

sry my math is off too! The numbers are correct, except it would be 85 trillion, not quadrillion. For a reference, I think the national GDB is 14 trillion.

Posted by: **Brandon Chapman** on 10/01/08 at 6:04 PM [Respond](#)

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