

# No Bailout for Wall Street Billionaires

## Ten Reasons to Oppose the Wall Street Bailout

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Treasury Secretary Paulson and President Bush backed by the Democratic Congressional leadership have asked Congress for \$700 billion dollars to bailout Wall Street financial institutions.

Over the past several years these banks reaped billions of dollars borrowing and speculating on mortgages, securities and other financial paper with virtually no capital covering their bets. With the fall in the housing market, Wall Street's financial debts skyrocketed, the value of their holdings evaporated and they are saddled with trillions of dollars of debt.

Paulson, Bush and the Congressional leadership want the US taxpayer to buy Wall Street's worthless private debts, saddling current and future generations of US taxpayers with worthless paper.

Paulson/Bush and the Congressional leaders falsely claim that failure to bailout the Wall Street swindlers will lead to the collapse of the financial system. In fact, almost 200 of our leading economists from the most prestigious universities reject Paulson's bailout. The truth of the matter is that withholding funds to Wall Street will lead to the collapse of the swindler-speculator-run financial system, which created the current economic debacle.

The Federal Government can and should use the hundreds of billions of public money to establish a national, publicly controlled banking and investment system subject to oversight by elected representatives. The collapse of the current bankrupt financial system is both a threat and an opportunity: The collapse of this corrupt system has led to the loss of jobs and frozen credit and lending; the establishment of a new publicly owned banking system offers an opportunity to finance the priorities of the vast majority of the American people: the re-industrialization of our economy, a universal national health program, securing and extending social security into the next century, rebuilding our decaying infrastructure and many other programs essential to the American way of life.

The problem is not the false alternative of bailing out Wall Street or financial chaos and collapse: The real choice is between subsidizing swindlers or establishing a responsible, responsive and equitable publicly run financial system.

### Ten Reasons to Oppose the Wall Street Bailout

1. In a market economy capitalists justify their profits by the risk of losses that they take. Gamblers cannot keep their profits and pass their losses to the taxpayers. They have to take responsibility for their bad decisions.

2. Much of the toxic (garbage) debts were based on fraudulent practices - opaque financial instruments unrelated to real assets (but which generated huge commissions). Bailing out swindlers only encourages more swindling.
3. The US Treasury will purchase worthless paper, the private banks will retain any assets of value. We buy the lemons, they drive the Cadillacs.
4. The chance of the Treasury recovering any value from their purchases of bad debt is near zero. The taxpayers will be stuck with paper with no buyers.
5. The long-term effect of a bailout will be to double the public debt and undercut funding for Social Security, Medicare, Medicaid, education and public health programs while increasing the tax burden of future generations.
6. The dollar will devalue as the government debt will decrease its attractiveness overseas, increasing the cost of imports and resulting in an inflationary spiral which will further undermine working people's living standards.
7. The channeling of funds to Wall Street will divert funds from getting us out of this deepening recession.
8. The bailout will deepen the financial crisis because, according to the Director of the Congressional Budget Office, it will expose the fact that many institutions may be carrying many more 'toxic assets' and reveal that those institutions are not solvent. In other words, the Treasury and Congress are freeing up bad debts to insolvent institutions.
9. The bailout is aimed at facilitating lending; but if the problem is not credit but (as the Congressional Budget Office has shown) the insolvency of the financial institutions, the solution is to create solvent financial institutions.
10. The bailout totally ignores the financial needs of 10 million homeowners facing foreclosures; the bankruptcy of small enterprises facing a credit crunch and the loss of workers' jobs and health plans for their families because of the recession.

## Alternatives to the Wall Street Bailout

The speed with which this gigantic amount of public funds had been made available by the Treasury and Congress puts the lie to their argument that popular programs cannot be funded or need to be cut back. In fact, investing \$700 billion in the health and education of American workers will increase productivity, open markets and expand consumer power leading to a virtuous circle increasing public revenues and eliminating the budget and trade deficits.

Public funds invested in manufacturing, construction, education and health care leads to products with real use value and has a multiplier effect on the rest of the economy instead of ending up in the pockets of billionaires who speculate and invest in mergers and overseas buyouts.

The Treasury and Congress have inadvertently revealed that federal financing is readily

available to rebuild the US economy, guarantee decent living wages and provide health care for everyone if we choose elective officials who are committed to the needs of the US workers and not the Wall Street billionaires.

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