Last Bank Standing - The Wall Street Mega-Crash

Dateline Washington, October 19th (get it?) 2010: the Peoples Bank & Trust of America has now established itself as the only bank of any kind in the USA, totally owned and managed by the US House of Representatives. A 2/3 majority must now approve all investment banking transactions; your district representative's staff reviews individual mortgage applications; and all 401(k), IRA, and remaining employer pension assets have been rolled into the Social Security Slush Fund.

Only federal and state elected officials are exempt from the 45% all purpose Income Tax. The estimated time to bring new companies public is 4.5 years; all individual account dividends and interest are paid directly into your IRS "grabber" account; CEO's salaries are limited to 50% of the amount paid to a first year congressman, and any government budget shortfalls are withdrawn from corporate earnings before any corporate obligations can be dealt with.

All employees receive the federal mandated minimum wage, except senior executives who are limited as mentioned above. Scary? This is a scenario that could play out if Congress (or the SEC) does not come to the rescue of the credit markets. You missed your opportunity to help stop it, but chances are a fix is on its way.

How many more businesses, jobs, and hopes will be killed by this irresponsible Congress? When will the average blogger realize that when a corporation fails, we all suffer? One would think that the informed and enlightened could take time out from their texting for a little research and education. Instead, they show their power by influencing public opinion numbers and the marshmallow politicians who worship them. As economist Irwin Kellner and I have pointed out, this is no bailout and we are not nearly approaching a recession.

Kellner's September 28th Market Watch article points out ten major differences between now and then: (1) In 1929, the DJIA plunged 40% in two months vs. around 30% in about a year. (2) In 1933, the jobless rate was 33% vs. 6% today. (3) The GDP shrank 25% then, but has increased 6% now. (4) Consumer prices actually fell 30% then but haven't ever since.

(5) Home prices dropped 30% then, but only 16% from the recent bubbly highs. (6) 40% of all mortgages were in default then vs. only 4% now. (7) 9,000 banks failed in the 1930s compared with just 25 or so (bigger and broader based ones) recently. (8) The Federal Reserve reduced the money supply, (9) raised interest rates, and (10) raised taxes on foreign imports.

Further, Kellner points out, we now have automatic stabilizers, deposit insurances, and market trading restrictions as protective elements. Today's Congress however, has never been good at connecting dots, has accomplished nothing under an unpopular president, and is ignoring its role as the primary creative force in today's problems. This transfusion is needed because: bad laws have obscured the values on financial institution balance sheets, and have created a clot in the credit arteries that keep the economy alive.

Educate yourselves on the Accounting Rule's that require institutions to book paying assets at pennies on the dollar. Find out why institutions are afraid to loan money to one another--- over night, at any rate of interest--- strangling the credit markets.

Doing nothing is killing jobs, killing companies, and deferring retirements for those who were counting on 401(k) and IRA dollars to provide them with income. Congress, of course has an old-fashioned pension plan, so it is unaffected by such financial realities.

Investigate the relaxation of lending standards that Congress orchestrated over the past few administrations, before blaming the companies that then extended credit to many speculators and other buyers who falsified application papers. Learn how the SEC was prohibited from regulating the CDOs and other multiple-leveraged credit market speculations. There are as many culprits outside the corporate executive suite as in it.

Congress is bursting with pride over bringing some of the Rich and Famous to their knees, and capping some of their obscene compensation arrangements at still shareholder pillaging levels. I've spoken often about how these salaries need to be controlled. But the multi-level-mortgage-marketing schemes that Congress encouraged must be unbundled somehow, and a buy out is the proper vehicle.

Congress has punished the entire world with its attack on Wall Street, and both parties are to blame. Representatives of the states listed below voted "no" to the credit transfusion, causing death and destruction that, in many instances, cannot be recouped. We have to replace them with better decision makers, representatives who can think in economic terms when they have to.

The number and letter code after the state designation indicates the number of representatives and their party: AL-1R, AK-1R, AZ-4D4R, CA-15D9R, CO-2D2R, CT-1D, FL-1D13R, GA-4D7R, HI-2D, ID-1R, IL-4D5R, IN-3D3R, IA-1D2R, KS-1D2R, KY-2D2R, LA-2D3R, ME-1D, MD-2D1R, MA-3D,

MI-3D6R, MN-2D2R, MS-3D, MO-2D3R, MT-1R, NE-3R, NV-1D1R, NH-2D, NJ-3D4R, NM-1D1R, NY-3D1R, NC-3D5R, OH-3D7R, OK-3R, OR-3D, PA-3D7R, SC-1R, SD-1D, TN-1D4R, TX-8D14R, UT-1D1R, VT-1D, VA-1D5R, WA-1D3R, WV-1R, WI-1D2R (Names withheld, but available from the author.)

On Friday evening, candidates Obama and McCain gave their support to the Capital infusion, but neither bothered to explain why--- a huge audience was ready to soak up the information. Over the weekend, both attended meetings to support the plan and to generate support from their respective parties.

Is there enough time left to find a hero?

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