

# Privatized profits and socialized losses?

Didn't we learn anything from the Savings and Loan debacle?

There seems to be a number of similarities between what happened to those financial institutions and the current financial crisis.

Why is government always so determined to reinvent the wheel? The problems with Bear Stearns, Lehman Brothers, Merrill Lynch and even AIG, are reminiscent of that earlier fiasco. It is obvious that the "hear no evil, see no evil, speak no evil" mentality of oversight did not work.

How could so many huge corporations that made their profits from the home mortgage industry make catastrophic decisions that led to their failures? Are there no experts in the economy who could have predicted that the gravy train would derail? Were we doomed to repeat?

The combination of loans to unqualified buyers at terms they eventually could not meet, and a slump in the housing market should have been foreseeable. Doesn't anyone in that segment of the economy do "what if's"?

The US government has become financially involved with corporations - or even cities - before, but not entire industries.

Why now?

Would the lack of public money really cause the collapse of our economy? If that is the case, who was asleep at the switch while the economy tanked?

The savings and loan bailout cost taxpayers somewhere around \$200 billion. The same "invest and get some of it back" will apply this cycle. And it didn't work then.

Properties such as the Hynds Building in Cheyenne carried heavy mortgages (in its case, \$800,000+ with Broward Savings and Loan of Florida) and when the Resolution Trust Company (RTC) sold it finally, it brought less than five cents on the dollar. To take a "position" on all the foreclosed, or about to be foreclosed, properties in the nation during this bailout period is likely to end the same way.

Houses that people could not afford and could not meet the mortgage payment on were often overpriced. Stories were published that people making \$18,000 a year were being put into homes worth a couple hundred thousand dollars but being sold to them for \$300,000. Naive buyers thought they would have a solution when their initial mortgage payments of \$500.00 a month escalated to \$1,200.00 a month.

This is eerily similar to the bond payment schedule for the downtown parking garage. The early principal and interest annual payments were about \$480,000. They will escalate to \$880,000.

To need \$700 billion for this bailout certainly indicates that a lot of people made a lot of mistakes. That's a lot of money. Here is how the bailout was described in a national media outlet:

*The bailout is intended to rescue bankers from the bad loans that threaten to derail the economy and plunge the country into a long depression.*

Bad loans. Is it any wonder that two-thirds of the American people oppose this financial bailout under any conditions? The operative words are "bad loans." Who now pays for them? Our grandchildren.

Democrats want oversight on this money and limits on executive compensation and "golden parachutes." That is a reasonable demand for \$700 billion. But we oppose nationalization, don't we?

*In testimony before the Senate Budget Committee on January 25, 2001, Federal Reserve Board chairman Alan Greenspan argued that allowing the government to hold private assets would risk "sub-optimal performance by our capital markets, diminished economic efficiency, and lower overall standards of living than would be achieved otherwise. Chairman Greenspan expressed concern that public ownership of private assets would introduce dangerous political interference in our capital markets.*

Source: Center on Budget and Policy Priorities

Greenspan was talking about voluntary investment of public funds in private assets, not a bailout of private companies. It seems that it would be even more damaging to invest in private assets if it were forced upon us.

What about those companies in the same businesses that did not make "bad loans" to this extent? Won't they be disadvantaged by having the US government bail out competitors - by having to compete with companies they would have driven from the market in a fair, equal and competitive marketplace?

Can this national problem "trickle down" to Wyoming? It seems like it could because few Wyoming banks are truly local. Most are a part of a holding company headquartered elsewhere. Couldn't the top's failure create a domino effect failure at our local level? Can the FDIC run out of money? Then what?

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Publication Date	Advertising Order Deadline	Advertising Copy Due Date
Tuesday, Oct. 14*	Wednesday Oct. 8	Friday, Oct. 10
Tuesday, Oct. 28*	Wednesday, Oct. 22	Friday, October 24

October 14 and October 28 issues will be full color on pages 1, 6, 7 and 12

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## The Cheyenne Herald

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### A doctor joke.

**Q.** What's the difference between God and a doctor?

**A.** God doesn't think he's a doctor.

See the front page for the relevance