

# It Is A Bailout Of Main Street, Because There Is No More Wall Street.

*A summary opinion from a currency trading company of the current "bailout" bill. - Unknown Source*



## In my opinion, this is one of the better summaries of the current proposed bailout.

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Despite all the theories from the conspiracy nuts, the Treasury's plan to purchase toxic mortgage securities is not about saving Wall Street, because there really is no more "Wall Street" left to save. The major Wall Street firms have either:

- A. Gone bankrupt (Bear Sterns and Lehman Brothers) and had their good parts sold off.
- B. Been bought out (Merrill Lynch) or
- C. Turned into bank holding companies (Goldman Sachs and Morgan Stanley) perhaps soon to be merged.

The Wall Street model of doing business is now relegated to the past, the same as rotary telephones and 8-tracks. It will exist only in textbooks devoted to the subject of how not to do business.

Nope, the Treasury's plan is not about saving Wall Street at the expense of Main Street. It's really about saving Main Street from the damage Wall Street helped to cause.

Let's understand what the Treasury's plan is really designed to do; it is designed to

allow bigger and healthier institutions to buy the infected ones by providing a "haven" for the toxic parts (mortgages and mortgage backed securities). In other words, it enables a government-assisted, market based solution to the crisis. Washington Mutual and Wachovia were too infected to survive. Those banks were going to fail and they (along with all their mortgages) were headed to where all failed banks go-under the control of the government.

Which leads us to one, inescapable conclusion: One way or the other, the government is destined to take ownership of the mortgages.

Mr. Paulson's solution is a more elegant way to solve the problem, because it brings the market in as a partner. The Treasury's plan is designed to allow bigger and healthier banks to take over the dying ones by providing a temporary "quarantine" for the toxic parts. Once quarantined, the government can administer an unlimited amount of medicine (time) to those toxic parts, allow them to get "healthy" again, and then infuse back into the system.

In other words, JP Morgan and Citigroup could never have purchased Washington Mutual and Wachovia without there being a place to "park" their toxic parts. No bank is big enough to take billions of dollars in diseased mortgage securities onto their balance sheets at this time. The only entity with the resources to do that is the government. And make no mistake-there likely are dozens (100's?) of smaller banks who are dying. Those banks will either be taken over by the government (in the absence of the Treasury's plan) or they will be bought by the larger, healthier institutions (in the presence of the Treasury's plan).

What this means is that we are either left with an S&L crisis and an RTC solution, or

Mr. Paulson's plan for a government-assisted market based workout of the problem.

Now, if Mr. Paulson's plan is not enacted, there is going to be more trillions of dollars lost in the bloodbath that the stock market will become. Main Street's life savings will be wiped out. If Mr. Paulson's plan is enacted, there still will be losses. The economy is going into a recession (if it isn't there already) no matter what because credit is going to be far less available while the institutions left standing lick their wounds. But there's also a good chance that market participants will start to glimpse a light at the end of the tunnel and begin the process of pricing in an eventual recovery.

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