

No Bailout for Wall Street Billionaires

Ten Reasons to Oppose the Wall Street Bailout

By [Prof. James Petras](#)

Global Research, September 28, 2008

28 September 2008

Region: [USA](#)

Theme: [Global Economy](#)

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.

James Petras is a Bartle Professor (Emeritus) of Sociology at Binghamton University, New York. He is the author of 63 books published in 29 languages, and over 560 articles in professional journals, including the American Sociological Review, British Journal of Sociology, Social Research, Journal of Contemporary Asia, and Journal of Peasant Studies. He has published over 2000 articles in nonprofessional journals such as the New York Times, the Guardian, the Nation, Christian Science Monitor, Foreign Policy, New Left Review, Partisan Review, Temps Moderne, Le Monde Diplomatique, and his commentary is widely carried on the internet. His publishers have included Random House, John Wiley, Westview, Routledge, Macmillan, Verso, Zed Books and Pluto Books. He is winner of the Life Time Career Award, Marxist Section, of the American Sociology Association, the Robert Kenny Award for Best Book, 2002, and the Best Dissertation, Western Political Science Association in 1968. His latest books are: [Zionism, Militarism and the Decline of US Power](#), and [Rulers and Ruled in the US Empire](#)

The original source of this article is Global Research
Copyright © [Prof. James Petras](#), Global Research, 2008

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Prof. James Petras](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca