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Bailout Resolutions

As Congress contemplates creative courses for correcting the catastrophic consequences of criminally corrupt conduct by custodians of the country's credit, critical characteristics are compulsory considerations.

With respect to taxpayer assistance to manufacturers, particularly to the automobile industry, Congress should direct the money to increasing demand rather than to making production more efficient. "Making production more efficient" means precisely "decreasing the number of persons employed in production". Cutting more jobs means reducing the number of persons potentially able to buy the product. Henry Ford had the positive aspect of this relationship right ninety years ago - hire lots of people at a living wage and the market for the product is enlarged.

When the auto executives testified to Congress, they claimed the failed finances of their businesses resulted from auto sales declining from 16 million units in model year 2007 to 12 million units in 2008. One would think the taxpayers' response to this condition is to increase demand. The government of Italy, in December 2008, responded to a crisis in the Parmesan cheese industry by buying up the excess inventory of cheese and distributing the cheese to needy families.

In the U. S. auto industry, the "coupon" mechanism described in this column in November will have the desired result. Rather than the taxpayers buying the excess physical inventory of automobiles directly, the taxpayers buy, for \$10,000.00 up front, millions of vouchers each good for \$12,000.00 toward the purchase of a new vehicle. The taxpayers then give the vouchers to those who have served in the armed forces or their survivors, to our schoolteachers who qualify for college-loan-forgiveness by reason of working in troubled public schools, and to other Americans who are engaged in socially-approved activities for which they should be additionally rewarded.

"Lending" money to the manufacturing company on the condition that the manufacturing company make itself "viable" is precisely paying the company to eliminate jobs. Prepaying vouchers so consumers may purchase more of the manufacturer's product encourages the manufacturer to believe that there is a market for its product, therefore retains production jobs.

Congress should not overlook the earmarks suggested in this column in October. For every bailout dollar disbursed to a private business entity, including the remaining \$350 billion of the blank check given to the Secretary of the Treasury, keep a nickel to deposit in a Health Insurance Trust, so nurses' and lab technicians' jobs are supported. And keep another nickel to deposit in a Public

Education Trust, so construction workers' and asbestos-remediation workers' jobs are supported.

When President Andrew Jackson faced an economic crisis 180 years ago because unregulated financial institutions were exploited by speculators to the near-collapse of the country's economy, the Bank of the United States was created to bring order, issuing notes backed by gold and silver. Now, the Federal Reserve is buying inconceivable volumes of "troubled" consumer debt instruments from commercial banks, with the intent that the commercial banks will resume lending to prospective consumers who will then spend more than they could afford to spend in a cash-only economy, and perhaps again not pay the credit card bill.

May we soon see a consumer credit card issued by a newly-constituted Bank of the United States, for which no cardholder ever has to pay the bill.

Happy New Year.

- Christopher J. Mallin, Old Country Lawyer