

## Treasury Secretary Henry "Hank" Paulson Explains the Wall Street Bailout to the Average American

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Hank: If you don't bailout Wall Street, giant investment banks like my company Goldman Sachs won't be able to lend money to your employer to make payroll. You won't get paid! All you need to do to get paid is spend \$700 billion to purchase my company's bad investments.

Average American: Why can't the government just use the \$700 billion dollars to pay me directly, sort of like that economic stimulus check that I got?

Hank (aghast): That's socialism! It violates the very principle of the Protestant work ethic!

Average American: How? I mean I am working for my paycheck.

Hank: No, no, no. In America, the Federal Reserve has to loan money to giant investment banks at 2% interest rate. Then we turn around and lend that money to your employer for a higher interest rate. Then your employer pays you.

Average American: Well, ok. But why do I have to buy these bad investments again?

Hank: Because my former employer has so much money invested in these bad assets that my former employer won't be able to lend money to your employer to pay you. We need to get the bad assets off Goldman Sachs books so they can start lending money again.

Average American: But didn't you say that Goldman Sachs borrows the money from the Fed.

Hank: Er, well, yes. But it is really complicated, involving derivative securities and complex financial models developed by Ph.D.'s in superstrings and other advanced fields that you couldn't possibly understand.

Average American: Well, why can't you have the Fed lend the money

directly to my employer?

Hank (aghast): My God, that's socialism. This is America! We can't have socialism here. The Fed must lend money to a bank like Goldman Sachs which then lends to your employer to pay you. You do want to get paid, don't you?

Average American: Well, yes. Pay is good. But, I still don't understand. Just down the street from me is Fuddy Duddy Savings and Loan. They never got sucked into this mortgage backed securities nonsense. They lend money directly to homeowners just like George Bailey in *It's a Wonderful Life*. Why can't the Fed lend the money to them. I mean they didn't screw up and lose \$700 billion dollars.

Hank: That...that's picking winners and losers! That's socialism. The government should not pick winners and losers in the capitalist system!

Average American (frowning): Well, didn't Goldman Sachs lose? Fuddy Duddy is the winner selected by the free market, right?

Hank: No, no, no. You just don't understand. Fuddy Duddy is not the free market. Fuddy Duddy is an antiquated relic of the New Deal that couldn't keep up with the innovative world of derivative securities. Goldman Sachs is the free market. We need to save the free market! The Flag! America! Capitalism! By the way, did I mention that you won't get paid?

Average American (scratching his head): I'm happy to have my paycheck printed by Fuddy Duddy instead of Goldman Sachs. It doesn't really matter to me.

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