

## **The Pompous Conservative Explains the Wall Street Bailout to the Average American**

**Version 1.0: September 26, 2008**

**© 2008 John F. McGowan**

The Pompous Conservative: If you don't bailout Wall Street, giant investment banks like my idol Hank Paulson's 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 Goldman Sachs bad investments.

Average American (scratching his head): I'm not sure I understand. Haven't you been telling me the free market is the greatest thing since sliced bread for years?

The Pompous Conservative (smiling broadly): Absolutely! The free market is the greatest invention in human history.

Average American (continuing to scratch his head): Well, if I understand correctly the free market says these mortgage backed securities that you want me to buy for \$700 billion are worthless. Why should I buy them?

The Pompous Conservative: No, no, no! The diabolical government sponsored enterprises Fannie Mae and Freddie Mac created this entire mess. They encouraged the mortgage backed securities fiasco by buying mortgage backed securities as part of the sinister liberal plot to provide affordable housing and a big salary for Franklin Raines.

Average American: Yes, you may be right, but why should I buy worthless assets from Goldman Sachs? Haven't you been telling me that the market is always right and if the market says the securities are worthless, well they must be worthless?

The Pompous Conservative: No, no, no. See, the government screwed up so the government needs to bailout Wall Street.

Average American: I don't follow that.

The Pompous Conservative: Look, the Community Reinvestment Act and a cabal of diabolical hippies who wanted affordable housing forced Goldman Sachs, Morgan Stanley, and the other titans of Wall Street to

invest in mortgage backed securities. It is now the obligation of the government and the taxpayer – that's you – to bailout Wall Street.

Average American: I still don't follow that. What you are saying is that hippie activists took over Goldman Sachs and ran it into the ground?

The Pompous Conservative: Yes, but with government backing.

Average American: I'm not sure I follow. Wasn't Hank Paulson the head of Goldman Sachs when it made all those bad bets on mortgage backed securities?

The Pompous Conservative: Er, well, yes.

Average American: And Hank Paulson is a liberal hippie?

The Pompous Conservative (shaking his head): No, no, no. The liberal hippies and government bureaucrats forced Goldman Sachs to invest in mortgage backed securities.

Average American: How? I mean I've been reading in the papers how Hank Paulson is also known as "The Hammer". I don't understand how the liberal hippies could force him to do anything. Did they scare him?

The Pompous Conservative: It's all the government's fault. Look, we are getting off topic here. Let's focus on the important issue, if you don't bailout Wall Street, the credit markets will freeze up and you won't get paid.

Average American: Well, ok, I suppose the liberal hippies could have taken over Goldman Sachs. Was there an article on it in Forbes that I missed?

The Pompous Conservative (surprised): *You* read Forbes?

Average American: It's an ownership society, remember. You and President Bush have been telling me that.

The Pompous Conservative: Oh. I forgot about that. Anyway, you do want to get paid.

Average American: Well, yes, but how is paying \$700 billion to purchase assets that the free market says are worthless going to help

me get paid?

The Pompous Conservative: See, once the bad assets are removed from Goldman Sachs books, they can borrow more money and lend that money to other financial institutions that will then lend the money to still more financial institutions which will eventually lend the money to your employer who will pay you.

Average American: Well, why can't I just let Goldman Sachs go bankrupt and let some other financial institution that didn't screw up borrow the money to lend to my employer? I mean isn't it easier for a financial institution that didn't screw up to borrow money than one that did, even if the government bails them out?

The Pompous Conservative: No, no, no. Because the government wrecked Goldman Sachs, the government has a moral responsibility to bailout Goldman and other Wall Street firms.

Average American (scratching his head again): I still don't understand how the government is responsible. Sure, I can see how the government might deserve some blame for Fannie Mae and Freddie Mac since they are government sponsored. That makes a little sense. But Goldman Sachs and the other Wall Street firms are all private...right?

The Pompous Conservative: No, no, no. Congress, the liberal Democrats, and the left-wing affordable housing fanatics forced Wall Street to lend money to unqualified poor people who should never have received a loan. Many of these awful poor people *lied* to the naïve gullible Wall Street bankers about their income. Isn't that awful?

Average American: Couldn't the Wall Street bankers have just said no?

The Pompous Conservative: No?

Average American: Yeah, no. Don't Wall Street bankers have a fiduciary responsibility to their stockholders, investors, creditors, and a lot of other people to perform "due diligence" and turn down unqualified borrowers?

The Pompous Conservative (shocked): *You* know what fiduciary means?

Average American: Yep. It's an ownership society remember?

The Pompous Conservative: Look, let's get back to the main point here. If you don't spend \$700 billion to bailout Wall Street, you won't get paid. Civilization will collapse.

Average American: I don't really follow that. Haven't you been saying that the economy is fundamentally sound. Phil Gramm called me a whiner because the economy looks worse than the official statistics to me. Phil says the economy is great.

The Pompous Conservative: No, no, no. You obviously didn't understand Phil. Phil is a genius and you obviously could not understand his subtle point. The economy is going to collapse if you don't pony up \$700 billion to bailout Wall Street.

Average American (testily): Well, it sounded to me like Phil called me a whiner because he says the economy is in great shape and why am I complaining.

The Pompous Conservative: Look, let's not play the blame game here. We have to focus on the problem at hand. There is an emerging bipartisan consensus that the economy is in dire straits and that if you do not give Wall Street \$700 billion – no strings attached if possible – we will be facing the Apocalypse.

Average American: But how will spending my hard-earned money on assets that the free market says are worthless prevent the Apocalypse?

The Pompous Conservative (with great disdain, as though explaining the obvious to a moron): Look, you need to understand a simple fact of adult life. Sometimes the free market is wrong.

Average American (with just a tad of sarcasm): Oh, I never thought of that.

###