BAILOUT TALE: WE'RE ALL ONE HAPPY FAMILY

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Assume you are a parent and you have three kids named Envy, Reckless and Prudence.

Envy is a wonderful kid, but has had a difficult life. She seems to have had more disadvantages than her siblings and always needed extra attention. Most recently, she bought a house that was much more expensive than she could afford. But the banks were willing to loan her the money, so why not?

Reckless is really smart, independent, and adventuresome. As a kid, he'd race his bike down the driveway as fast as possible until crashing.

You'd tell him "don't do that!" but then you'd feel sorry for him, bandage him up, and he'd go out and do it again!

He's still taking a lot of risks, and succeeds a lot. When he does succeed, he buys you a nice all-expense paid vacation. Reckless just recently learned how to make a lot of money in the short-term by selling Envy's risky mortgage.

He learned this from some guy named JP Morgan, who called it "Credit Default Swaps." Go figure.

Prudence is a great kid - reliable, wise, and saves her money. She was never any problem, got a good education, and now has a rather secure job at a decent salary.

So, what happens next?

* Envy's house is indeed way too expensive and she defaults on her mortgage payments. Now Envy, and her family, is homeless due to foreclosure.

* As a result, Reckless' latest product is now worthless. Indeed, it is so worthless that Reckless is bankrupt, big-time.

* Prudence is doing fine as usual. But there are rumors that Reckless and Envy's unwise behaviors might make it harder for Prudence's company to borrow money, which might lead to layoffs, which might mean Prudence will lose her job. But who knows for sure?

You love all three kids dearly. So what should you do?
Prudence is the only child with a solid bank account. Should you take money from Prudence (most of America) to pay for Reckless' (Wall Street's) reckless behavior and Envy's (foreclosing homeowners') envy?

If you bailout Reckless, won't Reckless just get more Reckless? When you asked Reckless what to do, Reckless said give me $700 billion, trust me, and leave me alone!

If you bailout Envy, Envy still lacks a long-term plan on how to pay off the mortgage, so what good does that do?

And why should Prudence be financially punished? On the other hand, maybe you should financially hurt Prudence a little now so that Prudence does not get financially ruined in the future.

Which child would you help and which one would you abandon?

Congress chose to bailout Reckless on behalf of Prudence. Ironically, Reckless and Prudence both bailed out of the stock market as a result.

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