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To: LLPComments
Subject: Legacy Loans Program

As a number of prominent economists have observed, including Paul Krugman, Joseph Stiglitz, Nouriel Roubini, and others, this plan is madness. The main problems are that it privatizes gain and socializes loss. There's a big potential upside and small potential downside for investors. For the government, it's the reverse: we put up most of the money but stand to make very little and possibly to lose a lot. No rational person would go along with this.

As Stiglitz says in his op-ed piece in the Times (March 31): "Treasury hopes to get us out of the mess by replicating the flawed system that the private sector used to bring the world crashing down, with a proposal marked by overleveraging in the public sector, excessive complexity, poor incentives and a lack of transparency."

<http://www.nytimes.com/2009/04/01/opinion/01stiglitz.html>

Who needs this? Is it too much to hope that the government, under Obama, would evaluate this on the merits and reject it? Apparently so. We're still captive to Wall Street. The argument has been made that nationalization--a brief process to take over banks with sizable toxic assets, clean and recapitalize them, and then sell them--would be too complex and that the government doesn't have the resources to do it. Then how are we going to manage the currently proposed plan?

It seems that the banks with the toxic assets are mostly a comparatively few large ones, which could be dealt with in a short time. This appears to be a much more likely route to solvency than the proposed plan. Please reject the proposed plan.