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The \$700b Bailout Package - A Hispanic Perspective

Opinion: Has the Paulson Solution become part of the Problem?

The difference between the hurricanes (*Gustav and Ike*) that devastated the Gulf shores and the recent financial meltdown on Wall Street is that one was a natural event while the other was self-inflicted. Both disasters came at a hefty cost but the latter was not only avoidable but altogether a reflection of our changed society. Some economists refer to the \$700 billion bailout as the tip of a \$55 trillion iceberg, a figure that hovers over 50% of our current GDP. For some these numbers are so large and so beyond our comprehension that one can only pray that the ultimate consequences will eventually disappear. But how can a problem of this magnitude find resolution among a close-knit group of bankers?

When I envision Hank Paulson and his crew behind closed doors, I can't stop thinking of George Orwell's novel, *'Animal Farm'*. In this book the pigs took charge of governing the other farm animals in a manner that favored a select few. Whenever democracy got in the way of the ruling party's wishes, the *'pork-barreled'* fanatics rewrote the rules to match their needs. Is that what we're seeing happening with today's financial meltdown? What can we expect from a new administration that will inherit a damaged regulated environment next year? ...more changed rules?

This disconcerting scenario also reminds me of the Venezuelan elections in the mid-90's when a charismatic candidate who connected well with voters won the national elections. This individual had an extraordinary gift to communicate effectively with his constituents. Over the next four years, he single-handedly did away with deregulation and essentially rewrote the rules for his newly minted democratic government to favor his complete dominance of the private sector. Today his government owns and operates the Bolivar Republic of Venezuela.

Could the United States fall prey to a redefined democracy that looks and feels like a dictatorship? Can capitalism and democracy as defined by our founding fathers navigate our ailing economy to safer waters? Will our newly elected President have the vision and leadership to avoid the temptation of taking over the private sector?

One part of me wants to believe in the American system and its leadership; however, my less optimistic side struggles with the recent Paulson bailout package. If Paulson was truly looking to solve this self-inflicted crisis, he could have done so by relaxing the *'mark to market'* rules imposed on banks. It worked during the Savings and Loan crisis in the '80;s, why wouldn't it work again now? Rather than force banks to absorb artificially, severe *'write downs'* on a daily basis, they could have priced them under a three year horizon; a solution that would have bought time to write the corrective lending legislation and policies that have been long overdue. Has Hank Paulson become part of the problem rather than the solution?.

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