Leading progressive grassroots organizations say:

"No!" to the Wall Street Bailout as it is currently written

"Yes" to legislation that incorporates the IPS Sensible Plan for Recovery

A Sensible Plan for Recovery

Responding to Main Street

Program Basics

- **A stimulus for Main Street: Aid to the real economy**
- **Make Wall Street speculators pay for the bailout: No more debt**
- **Shut down the casino: Rein in the unregulated financial sector**
- **Limits on CEO pay and prohibitions on profiteering from the bailout**

Rebuilding Accountability and Trust

The grassroots blowback against the Bush Administration's proposed Wall Street bailout is rooted in deep distrust. Americans recognize the need to act on our current crisis but detest the idea that ordinary taxpayers should bear the brunt of bailing out the kingpins of Wall Street.

The following program, if incorporated into the bailout, could far better address our current problem's root causes and restore trust and confidence in our economic system.

1. A stimulus For Main Street

The debate over the bailout has so far concentrated on the $700 billion purchase of "troubled assets" proposed by Treasury Secretary Henry Paulson. A real "bailout" would target the troubled households of working American families. A $200 billion "Main Street Stimulus Package" could bolster the real economy and those left vulnerable by the subprime mortgage meltdown.

This package should include:

- A $130 billion annual investment in renewable energy to stimulate good jobs anchored in local economies and reduce our dependency on oil.
- A $50 billion outlay to help keep people in foreclosed homes through refinancing and creating new homeownership and housing opportunities.
- A $20 billion aid package to states to address the squeeze on state and local government services that declining tax revenues are now forcing.

See the terms of the $56.2 billion proposed Economic Recovery Package proposed by Senators Reid and Byrd. Link: Reid/Byrd Economic Recovery Act of 2008

2. Make Wall Street speculators pay for the bailout

The lawmakers who negotiated the defeated bailout appear to have assumed that the federal government will simply borrow more money to foot the bailout bill.

But this rush to borrowing merely shifts the bailout burden onto the backs of future taxpayers.

Congress needs to change course — and develop a "pay as we go" plan that makes Wall Street pay. The lion's share of bailout funding should come from the high-finance gamblers and the wealthy CEOs who have so profited from our casino economy.

The Institute for Policy Studies has identified $900 billion in dollars in revenue to pay for a Main Street stimulus and Wall Street bailout. A full text of this appears at: **http://www.ips-dc.org/articles/740**.

A fair and responsible plan would include:

- **A securities transaction tax: $100 billion**

  A fair plan to pay for the bailout should include a modest financial transactions tax on the buying and selling of stock and other financial products. A penny on every $4 invested would generate $100 billion a year. Other European countries already tax stock transactions, and these transaction taxes effectively discourage speculation.

- **A corporate minimum income tax: $60 billion**

  In August, the Government Accountability Office reported that two-thirds of U.S. corporations paid no income taxes between 1998 and 2005. These corporations paid nothing toward our shared expenses of defense, environmental protection, public health, and education. Ordinary taxpayers should not be left holding this bag. A minimum corporate income tax should contribute toward the bailout.

- **A 'disgorgement' recovery from profligate CEOs: $40 billion**

  Until several weeks ago, top executives were collecting massive paychecks while they told the rest of us that "everything is fine." CEOs gorged themselves and have now taken the money and run. The four biggest investment banks on Wall Street shelled out $30 billion in bonuses last year. One of them, Lehman Brothers, has just gone under. Another, Bear Stearns, was bailed out earlier this year. To help pay for recovery, we should seek the payback of executive compensation inappropriately extracted in the years before the Wall Street meltdown.

- **An end to overseas corporate tax havens: $100 billion**

  Congress should close down corporate tax havens that allow corporations to game the system and cut their taxes, sometimes to zero. This step would generate $100 billion from profitable companies that have paid no taxes over the last decade.

- **The elimination of subsidies for excessive CEO pay: $20 billion**

  As taxpayers, we subsidize excessive CEO pay, through a host of tax loopholes, to the tune of $20 billion a year. Congress should close these loopholes, including the accounting gimmicks that permit companies to report one set of earnings to shareholders and another lower number to Uncle Sam.

3. Shut down the casino: Assert real oversight of financial markets

The U.S. public would feel more positively about government intervention if this intervention were clearly aimed at addressing the root causes of the financial crisis. This crisis has evolved from a convergence of disasters:

- The tolerance by the Federal Reserve and other government overseers of a dangerous housing bubble.
- The rapid expansion of unregulated financial institutions and instruments, everything from hedge funds to credit default swaps.
- The failure of government oversight of existing financial institutions

To shut down the casino, the federal government should:

- direct the Federal Reserve to intervene to prevent present and future asset bubbles.

- extend financial reserve requirements to new security categories such as derivatives and place strict limits on leverage for all regulated financial institutions. Tradable instruments, like credit default swaps, should be standardized and traded on regular exchanges.
- regulate the packaging of loans so they can be evaluated, rated, and priced rationally.
- regulate hedge funds and private equity funds in a way comparable to banks
- move against predatory home mortgage lending.

4. Limit excessive CEO pay and prohibit bailout profiteering

Many Americans oppose the bailout because they believe that Wall Street CEOs and fund managers will be financially rewarded for their reckless behavior. Americans also fear that Wall Street profiteers will make money from the bailout, like the billions that were made by the private firms that "fixed" the Savings and Loan bailout.

Placing limits on CEO pay would remove the key incentive that has driven the short-term "casino" mentality in Corporate America. The defeated bailout bill left this incentive largely in place, with a provision that gave the determination of what's "excessive" in executive pay to Treasury Secretary Paulson, a former Wall Street wheeler-dealer who made hundreds of millions of dollars as an investment bank CEO.

Several members of Congress have proposed fixed executive pay limits for the bailout. Senators John McCain (D-AZ) and Diane Feinstein (D-CA.), for instance, have both made offhand comments calling for capping compensation for bailed-out executives at the current compensation level of the U.S. President: $400,000.

The Institute for Policy Studies favors a lid on CEO pay set at 25 times the pay of a bailed-out company's lowest-paid worker. The current top federal paycheck — the President's $400,000 annual compensation — represents about 25 times the pay of the federal government's lowest-paid employee.

The most respected business thinker of the 20th century, Peter Drucker, considered the 25-to-1 ratio to be the appropriate standard for the private sector as well. Pay gaps too wide, management experts like Drucker believe, undermine enterprise effectiveness.

But executive pay controls need to go beyond the ranks of "bailed-out" firms. Companies hired to manage the bailout need to be controlled as well. Private firms, as news reports (*New York Times*, "Big Financiers Start Lobbying for Wider Aid") indicate, are already lining up to cash in cash in on the bailout. We need strict pay controls and conflict-of-interest oversight to prevent this profiteering at taxpayer's expense.

ACTION

Educate members of Congress. We should immediately contact our members of Congress, whether they voted for or against the bailout, and urge them to embrace this four-point program:

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- **Make Wall Street speculators pay for the bailout: No more debt**
- **Shut down the casino: Rein in the unregulated financial sector**
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Local Media. Influence the conversation. We should write letters to the editor, call in to talk radio programs, put forward op-eds.