

***“Expert Speak”
On
The Credit Crisis***



An Open Letter



"I THOUGHT WE WERE JUST BUYING A HOUSE!"

Dear Chairman Bernanke and Secretary Paulson,

- ***There is grave concern in low-income communities about a potential coming wave of foreclosures. Because regulators are partly responsible for creating the environment that is leading to rising rates of home foreclosure in the subprime mortgage market, I urge you immediately to convene a homeownership preservation summit with leading mortgage lenders, investors, loan servicing organizations, consumer advocates, federal regulators and housing-related agencies to assess options for private sector responses to the challenge.***
- ***We cannot sit on the sidelines while increasing numbers of American families face the risk of losing their homes. And while neither the government nor the private sector acting alone is capable of quickly balancing the important interests in widespread access to credit and responsible lending, both must act and act quickly.***

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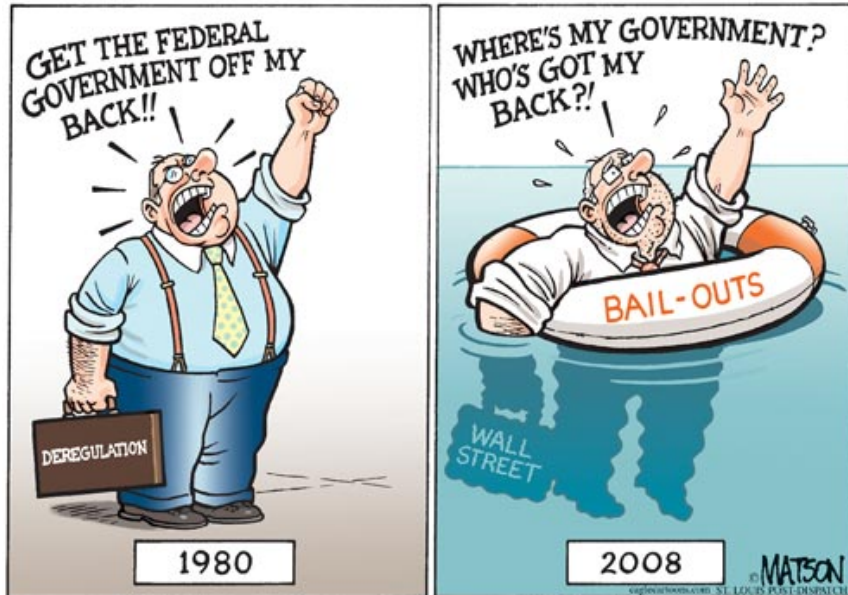
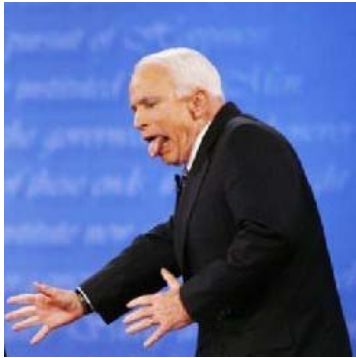
– **Senator Barack Obama, March 2007**

Obama-Wisdom



- “The sub-prime lending mess, part of the reason it happened was because we had an administration that does not believe in any kind of oversight. You've got to disclose if you've got a teaser rate and suddenly their mortgage payments are going to jack up & they can't pay for them” – Obama, Sept 2008
- *“John McCain and I can continue to argue about our different economic agendas for next year, but we should come together now to work on what this country urgently needs this year,”* – Obama, Sept 2008
- **“Together, we cannot fail. Not now. Not when we have a crisis to solve and an economy to save. Not when there are so many Americans without jobs and without homes,” “We can do this because we've done it before.”** – Obama, October 2008
- **....this crisis calls for 90-day moratorium on foreclosures** – Obama, October 2008 (Read Hillary's comments in Clintonisque)

McCain-Conundrums



- “But we need deregulation. I was one of three people that voted against Sarbanes-Oxley. I knew that would be a problem, and it is a problem for the financial markets. So this is the kind of thing we need. We need the government out of the way, but it should have sound money, low taxes, less regulations, and a sensible policy where we’re not wasting our money overseas.” – McCain, Jan 2008
- *“More regulation, more oversight, more transparency, more of everything and, frankly, a dramatic reduction in what they do. These actions stem from failed regulation, reckless management, - McCain on CBS, Sept 2008*

McCain - McSense



- For years I have been concerned about the regulatory structure that governs Fannie Mae and Freddie Mac—known as Government-Sponsored Entities or GSEs—and the sheer magnitude of these companies and the role they play in the housing market...OFHEO's report solidifies my view that the GSEs need to be reformed without delay – McCain in the Senate, May 2006
- If Congress does not act, American taxpayers will continue to be exposed to the enormous risk that Fannie Mae and Freddie Mac pose to the housing market, the overall financial system, and the economy as a whole. – McCain in the Senate, May 2006
- *"The issue of economics is not something I've understood as well as I should. I've got Greenspan's book."* —McCain, as quoted in the Boston Globe, Dec. 17, 2007
- "I understand the economy. I was Chairman of the Commerce Committee that oversees every part of our economy." -- CNBC interview, Sept. 16, 2008

Clintonisque

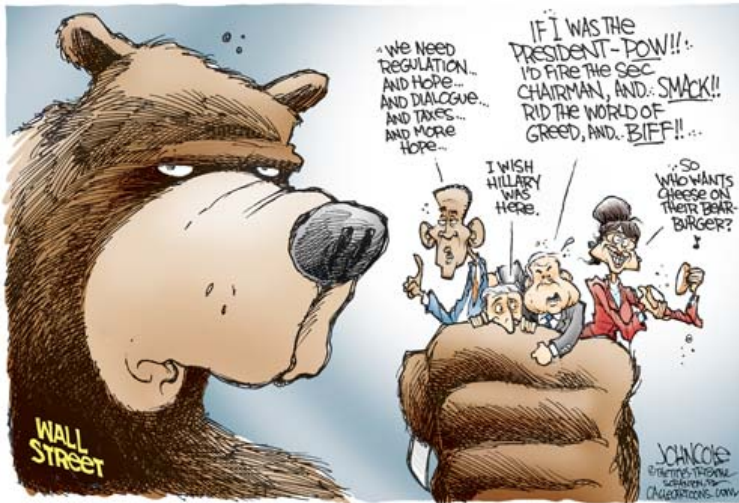


- “I have proposed to enable the Federal Housing Administration to function as an alternative to the subprime market; and I have proposed to empower state housing finance agencies to help families refinance unworkable mortgages. But more is needed. *So I have also called on the mortgage industry to observe a 90-day foreclosure moratorium on subprime mortgages and a 5-year freeze in rates on subprime loans.*” – Hillary Clinton, January 2008

- There's a lot of pessimism and doom and gloom and ... people are waking up with their guts in a knot, worried about the economy, "America has a choice — we can worry about these things, or we can do something about it." – Bill Clinton, September 2008

- "It took a Democratic president to clean up after the last President Bush. It's going to take a Democratic president to clean up after this President Bush." – Hillary Clinton, October 2008

- "I hope you know that the next vice president for the first two years will be relatively more important in the larger world than has ever been the case, because the president is going to have to close the door to the Oval Office and get this country out of the ditch, - Bill Clinton, October 2008



Bushisms

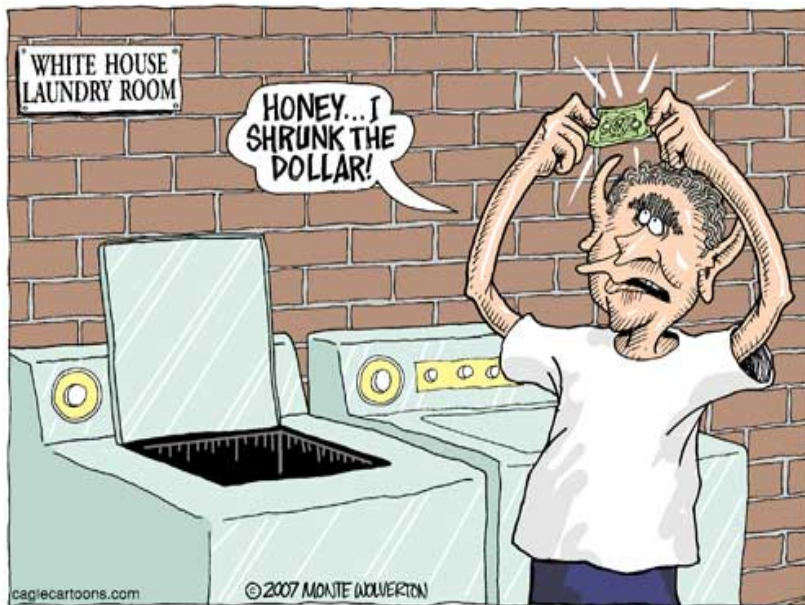


- **"Let's make sure that there is certainty during uncertain times in our economy."** - George W. Bush, Washington, D.C., June 2, 2008
- **"The economy is growing, productivity is high, trade is up, people are working. It's not as good as we'd like,... -- and to the extent that we find weakness, we'll move."** --George W. Bush, Washington, D.C., July 15, 2008
- ***"Wall Street got drunk and now it's got a hangover. And the question is how long will it sober up and not try to do those fancy financial instruments?"*** - US President George Bush ponders America's financial services meltdown.
- **"If money isn't loosened up, this sucker could go down."** - US President George Bush comment as political wrangling threatened to sink the \$700 billion Wall Street bailout package.

More Bushisms



- **I think the system basically is sound, I truly do.**
– George Bush in a Press Conference on being asked whether the financial systems and banks were in trouble, July 2008
- **Government action -- if you're talking about bailing out -- if your question is, should the government bail out private enterprise, the answer is, no, it shouldn't.** – George Bush on being asked whether the Govt. needs to step in to support “crucial” entities , July 2008
- ***You know, you need to talk to economists. I think I got a B in Econ 101. I got an A, however, in keeping taxes low*** – George Bush on being asked about whether there was a risk of recession, Sept 20 2007.
- **On Wall Street, you know that America's economic leadership rests on strong and flexible capital marketsexcessive litigation and over-regulation threaten to make our financial markets less attractive to investors, especially in the face of rising competition from capital markets abroad.** – George Bush in January 2007



Vee-Pees All - Palindromes



- "But ultimately what the bailout does is help those who are concerned about the healthcare reform that is needed to help shore up our economy." - Sarah Palin, explaining the \$700 billion government bailout of Wall Street to Karie Couric, CBS News interview, Sept. 24, 2008



- "I'll try to find you some and I'll bring them to you."
-- Sarah Palin, asked by Katie Couric to cite specific examples of how John McCain has pushed for more regulation in his 26 years in the Senate, other than the Freddie Mac, Fannie Mae Bill, CBS interview, Sept. 24, 2008
- *The problem with Wall Street executives, is that they became "addicted to, we call it, OPM, O-P-M, 'Other People's Money'*
– Sarah Palin on Fox, Sept, 2008
- "Certainly it is a mess... The economy is a mess."
– Sarah Palin on Fox Sept 2008

Not much out there by this nominee. Silence is Bliss 😊😊😊😊😊

Vee-Pees All – Biden's Sound-Bite



- "When the stock market crashed, Franklin D. Roosevelt got on the television and didn't just talk about the, you know, the princes of greed. He said, 'Look, here's what happened,'

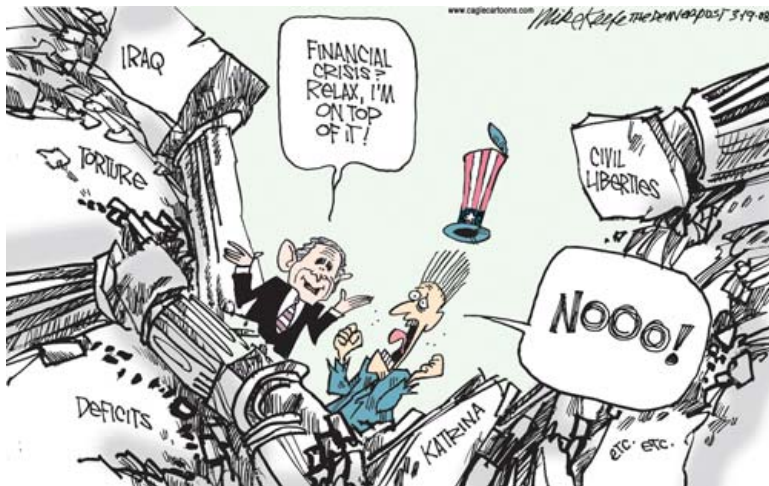
- Biden on the October 1929 crash illustrating the need to be transparent and communicate – Only problem – Hoover was the President – FDR was elected 3 Years later and FDR used to use the Radio to address the nation. TVs were not commercially mainstream.



Vee-Pees All – Cheney's Shots



- *America's economy “remains the envy of the world,” and the recent economic “slowdown” could have been much worse without President Bush's economic policies.* – Dick Cheney, May 2008



- because of those policies, particularly tax cuts enacted in 2001 and 2003, “the slowdown that did come was a fairly mild one.” – Dick Cheney, May 2008
- “For the better part of six years now, this nation's economy grew without pause,” - Dick Cheney, May 2008.

Soothsayer Speaketh



- "There is an underlying strength in the United States," "And indeed, when you look around the world, even with this extraordinary credit problem, the economies seem to be holding up. But for the moment it does not look sufficiently severe that it will spiral into anything deeper," - Alan Greenspan Interview on CBS 60 Minutes, Sept 16 2007
- *"Subprime mortgages were and are risky, but they are worth it,"* – Alan Greenspan, October 2007
- "I was aware a lot of these practices were going on, I had no notion of how significant they had become until very late. I didn't really get it until very late in 2005-2006" – Alan Greenspan, Sept 17, 2007
- "The current credit crisis is the most wrenching in the last half century and possibly more" – Alan Greenspan, April 2008
- "Trust will eventually reemerge as investors dip hesitantly back into the marketplace," "From that point, history tells us, financial and economic revival sets in. I suspect it will be sooner rather than later." – Alan Greenspan in Georgetown University, October 2, 2008



The Conflicted Money Men



STAR TRIBUNE
S&K

GUESS WHO'S
FINALLY WILLING
TO ADMIT YOU
MIGHT POSSIBLY,
THEORETICALLY,
HYPOTHETICALLY
EXIST?

I'LL
BITE.



- At this juncture, the impact on the broader economy and financial markets of the problems in the subprime market seems likely to be contained. - Fed Chairman, Ben Bernanke, Congressional testimony, March, 2007
- "There probably will be some bank failures, though they are likely to be among smaller regional banks that are particularly exposed to falling property markets." *"I don't anticipate any serious problems of that sort among the large, internationally active banks that make up a very substantial part of our banking system,"* – Ben Bernanke, Feb 2008.
- "Although activity during the current quarter is likely to be weak, the risk that the economy has entered a substantial downturn appears to have diminished over the past month or so," - Bernanke when addressing a Fed conference in Chatham, Massachusetts, June, 2008.
- "By restricting flows of credit to households, businesses, and state and local governments, the turmoil in financial markets and the funding pressures on financial firms pose a significant threat to economic growth," – Bernanke, October 2008

The Conflicted Money Men



- **“The idea that we’re going to see a collapse in the housing market seems to me improbable.”**
- John Snow, Secretary of the Treasury, Sept 20, 2005

- ***“I don’t see (subprime mortgage market troubles) imposing a serious problem. I think it’s going to be largely contained”*** – Hank Paulson, April 2007

- **The crisis of confidence in credit markets is likely to last longer than previous financial shocks of the past two decades,** - Hank Paulson, Treasury secretary, Sept 11, 2007

- **'US economic fundamentals are healthy: unemployment is low, wages are rising and core inflation is contained,' 'Although the recent reappraisal of risk, coupled with weakness in the housing sector, may well result in a penalty, the fundamentals point to continued US economic growth.** – Hank Paulson, Sept 20, 2007

- **"I do believe that the worst is likely to be behind us,"** - Hank Paulson to the Wall Street Journal in an interview, May 7, 2008

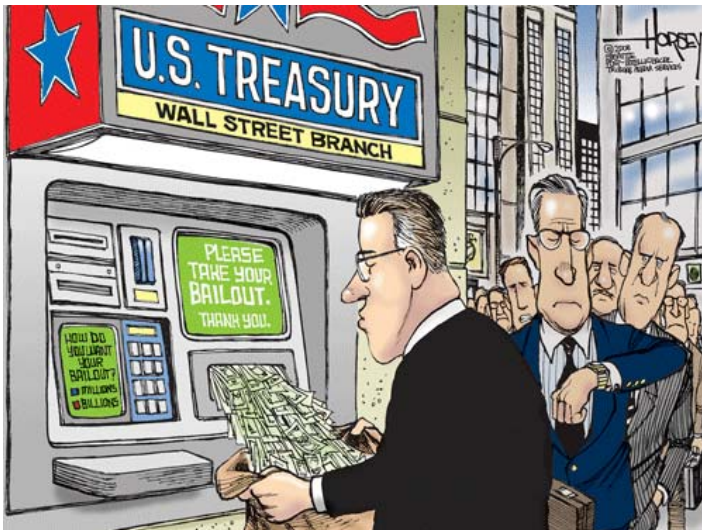


"WHEN SHALL WE THREE MEET AGAIN?"

Oracle of Omaha



- In our view, however, **derivatives are financial weapons of mass destruction**, carrying dangers that, while now latent, are potentially lethal.
 - Berkshire Hathaway 2002 Annual Report. (in the ensuing 5 year period from 2002 – 2007 the derivatives market went from \$ 100 Trillion to – \$ 516 Trillion)
- *In one way, I'm sympathetic to the institutional reluctance to face the music. I'd give a lot to mark my weight to 'model' rather than to 'market.'* - Warren Buffett, Fortune, August 16, 2007 (On the financial institution practice of valuing subprime assets on the basis of a computer model rather than the free market price.)
- "The worst of the crisis in Wall Street is over," – Warren Buffet, May 4, 2008
- I don't necessarily think we're halfway through or necessarily a quarter of the way through the effects throughout the general economy," "The initial effects are felt by the people who really did the silliest things, but you can have a whole bunch of domino-type effects that eventually can get to people who are doing fairly sound things." - Warren Buffet, May 22, 2008

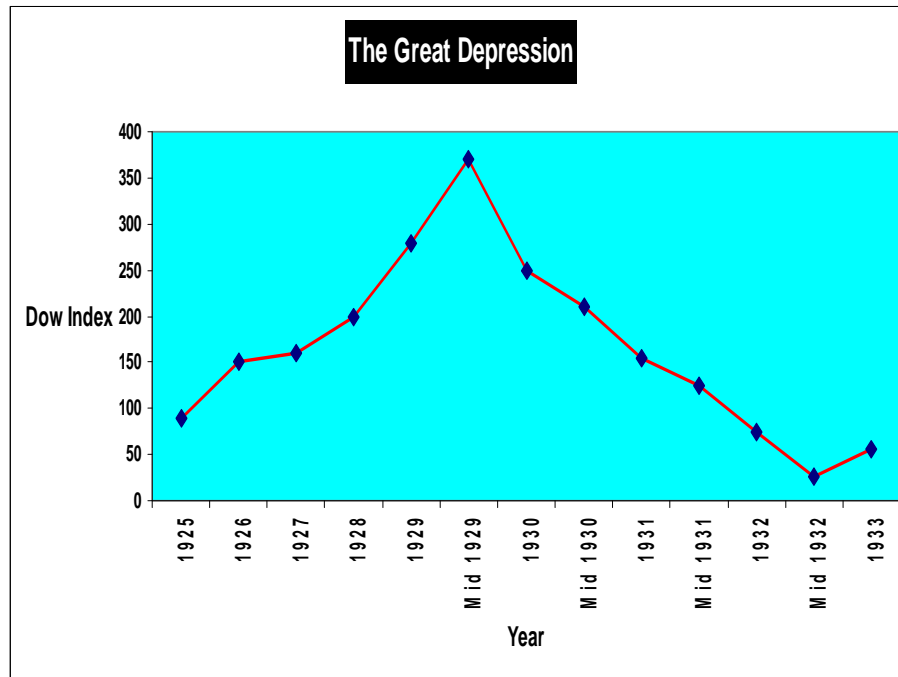


Corporate America's 2 Cents



- 'I think we are definitely in for a slowdown that I think will be a bigger slowdown than (Fed Chairman Ben) Bernanke is seeing,' - George Soros, Nov 7, 2007
- *When the music stops in terms of liquidity, things will get complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing.* - Chuck Prince, Citigroup, Nov 6, 2007
- the U.S. is in for "one hell of a deep downturn."
– Jack Welch, Sept 24, 2008
- "There are engines of the world that still work."
"people should be "concerned but not panicked" by the financial crisis gripping Wall Street. - Jeff Immelt, Sept 17, 2008
- "It looks like the economy may go down somewhat, but nothing like a big recession or a depression," – Bill Gates, October 6, 2008

Back to the Future



- **"I cannot help but raise a dissenting voice to statements that we are living in a fool's paradise, and that prosperity in this country must necessarily diminish and recede in the near future."** - E. H. H. Simmons, President, New York Stock Exchange, January 12, 1928
- **"I see nothing in the present situation that is either menacing or warrants pessimism... I have every confidence that there will be a revival of activity in the spring, and that during this coming year the country will make steady progress."** - Andrew W. Mellon, U.S. Secretary of the Treasury December 31, 1929
- **"Hysteria has now disappeared from Wall Street."** - The Times of London, November 2, 1929
- ***"While the crash only took place six months ago, I am convinced we have now passed through the worst."*** – US President, Herbert Hoover May 1, 1930
- **"We are now near the end of the declining phase of the depression."** - Harvard Economic Survey Nov 15, 1930

Crisis Snippets



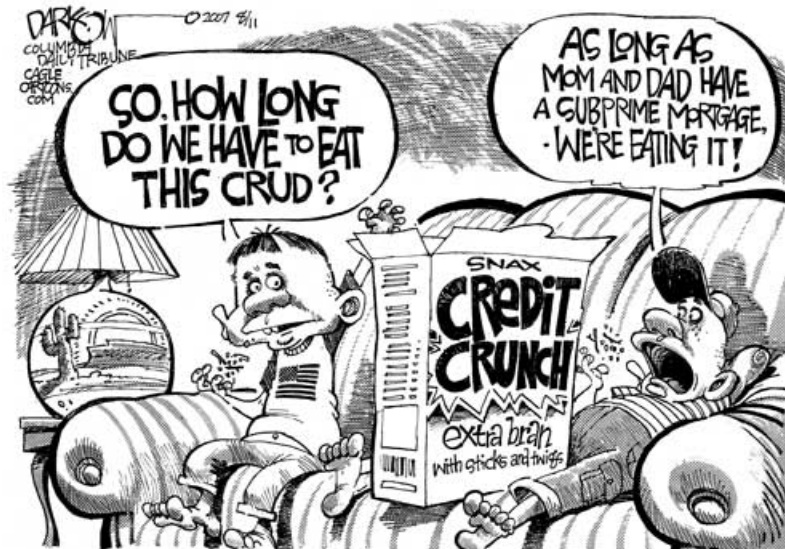
- "I think it is clear that Fannie Mae and Freddie Mac are sufficiently secure so they are in no great danger... I don't think we face a crisis; I don't think that we have an impending disaster. ...Fannie Mae and Freddie Mac do very good work, and they are not endangering the fiscal health of this country."

-- Rep. Barney Frank (D) 9/25/2003



- "I'm being taxed more and more for fulfilling the American dream," - Mr Sam Wurzelbacher (Joe the Plumber) to Senator Obama
- "It feels like a big wake up call," - Oprah Winfrey
- "Your company is now bankrupt, our economy is now in a state of crisis, but you get to keep \$480 million. I have a very basic question for you: Is this fair?" -- Henry Waxman, chairman of US House Oversight Committee, questioning Lehman Brothers CEO Richard Fuld over bank's collapse
- *"Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize (read bailout) it."*
- Ronald Reagan

Leno's Lines



- "Even President Bush is starting to get worried about this economy being out of control, you know. I mean, gold is over \$1,000 an ounce. Oil, over \$100 a barrel. Hookers, \$5,000 an hour." -- Jay Leno, referring to the Governor of New York's links to a prostitute.
- *Bush of course is getting it in the solar plexus. "You think he even understands what's going on?" Leno asked. "Like, today, they asked about the credit crunch, he said it was his favorite candy bar."*
- "If you watched the debate last night, you know John McCain kept talking about this guy Senator Obama met on the campaign trail named Joe the Plumber. Do you know the saddest part about the Joe the Plumber story? Last month he was an investment banker."
- "The United States has developed a new weapon that destroys people but it leaves buildings standing. It's called the stock market."

Words of Wisdom



- The modern banking system manufactures money out of nothing. The process is perhaps the most astounding piece of sleight-of-hand that was ever invented. Banking was conceived in inequity and born in sin... But if you want to continue to be slaves of the bankers and pay the cost of your own slavery, then let the bankers continue to create money and control credit.

Josiah Charles Stamp

- O Gold! I still prefer thee unto paper, which makes bank credit like a bark of vapor.

Lord Byron

- Credit is a system whereby a person who can't pay gets another person who can't pay to guarantee that he can pay.

Charles Dickens

- Blest paper-credit! last and best supply!
That lends corruption lighter wings to fly.

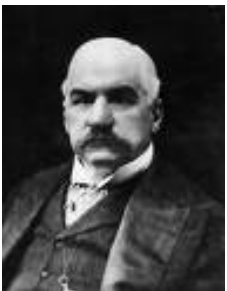
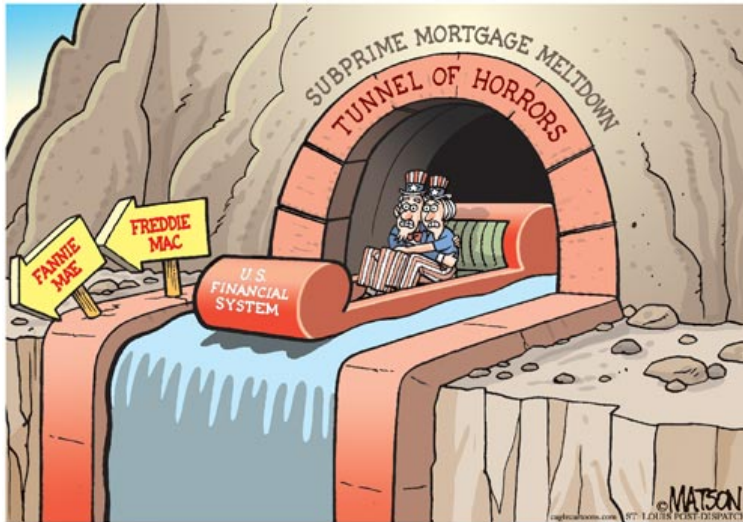
Alexander Pope

- I made a fortune getting out too soon

JP Morgan

- *You must not lose faith in humanity. Humanity is an ocean; if a few drops of the ocean are dirty, the ocean does not become dirty.*

Mahatma Gandhi



And the Winner Is



- “This is the biggest depression since *The Notebook*.”
 - *Paris Hilton compares the global credit crisis to a romantic movie*



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