

Corporate Titan Harlan “Mac” MacGregor Explains the Wall Street Bailout to the Average American

Version 1.0: October 2, 2008

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Mac: Look, if you don't bailout Wall Street I may not be able to borrow money from my buddy Jack's Colossal Megabank and make my payroll.

Average American: Can't you borrow from somebody else?

Mac: No, no, no. I have always borrowed money from my buddy Jack's Colossal Megabank. If you don't spend \$700 billion to buy Megabank's bad investments, they won't be able to borrow more money to lend to me.

Average American: Well, why would anyone lend more money to them since they lost \$700 billion.

Mac: Look, high finance is extremely complicated.

Average American: Well, if my neighbor lost his house gambling in Las Vegas, I wouldn't lend him \$200 K to buy another house.

Mac: Look, this is not like you and your neighbor. See Megabank is so large that the people who lend money to Megabank would be forced to find dozens of smaller banks to lend money to if Megabank fails.

Average American: Well, who in their right mind would lend more money to Megabank and similar banks after they have lost \$700 billion?

(long pause)

Mac: China.

Average American: Are the Chinese that stupid?

Mac: No, no, no. My buddy Jack was the smartest guy in our class at Yale. I mean no one is smarter. The Chinese would be foolish not to lend money to him.

Average American: Why? I mean ok, maybe he was smart in school, but in real life he lost \$700 billion.

Mac: Look, do you understand stochastic differential equations?

Average American: I don't even know what stochastic differential equations are.

Mac: Exactly. Well, stochastic differential equations are used in the mathematical models used to value mortgage backed securities like the \$700 billion in troubled assets that Jack and his associates want you to buy.

Average American: Well, why should I...or the Chinese... buy something I don't understand.

Mac: Look, the Chinese understand stochastic differential equations. They are all nerds.

Average American (looking skeptical): I'm a little confused. Why don't you want me to lend you the \$700 billion directly and bypass Megabank?

Mac: Bypass?

Average American: Yes.

Mac: I don't get you.

Average American: Bypass. I lend the money to you directly, cutting the incompetent Megabank out of the picture.

Mac: I still don't get you.

Average American (puzzled): Well, why are you sure that Megabank will lend you the money after I give it to them.

Mac: I don't get you. Why wouldn't they lend me the \$700 billion?

Average American: Well, what sort of return on investment can you give them?

Mac: *You* are familiar with return on investment.

Average American: I took a business course at Podunk Community College. So what is the return on investment if Megabank lends you the \$700 billion?

Mac: Well, er, somewhere in the range of 8%. I have a good credit rating unlike you.

Average American: OK, so if Megabank puts the \$700 billion into your company and others like you they get a measly 8%.

Mac: Well, 8% is a lot.

Average American: Well, why should they lend you the \$700 billion when they can create another bubble?

Mac (incredulous): *Another bubble?* I don't follow.

Average American: Well, just bear with me here. Your buddy Jack at Megabank and a few other people like him made billions from the housing bubble and billions from the Internet/Telecom bubble before that. Are you following me?

Mac: Well, er, yes, I suppose that is true.

Average American: So, why not take the \$700 billion and invest it in some market where the \$700 billion will send prices up several hundred percent, maybe oil futures.

Mac: Oil futures?

Average American: As an example. I mean it could be anything: gold, limited edition comic books, tulips.

Mac: I'm having trouble following you.

Average American: Well, they buy oil, oil goes to \$500 per barrel. They use mark to market accounting and show a paper profit of 400% in one year, no measly 8% like you. Then they give themselves performance bonuses in the many billions, just like in housing and the Internet. Then, oil crashes and they lose nearly all of the \$700 billion, except for the bonuses.

Mac (sputtering): That would be incredibly short-sighted, greedy, and stupid.

Average American: Yes, and your point?

Mac (sputtering): It would require illegal collusion between Jack and his buddies in violation of various anti-trust and securities laws.

Average American: Yes, and your point?

Mac (sputtering): You and I would be screwed.

Average American: Yes, and your point?

Mac (outraged): Look, Jack and I were in the Skull and Bones society at Yale along with President Bush and Senator Kerry! It's like a fraternity. Did you have a fraternity at Podunk?

Average American: Sure. I drank a lot of beer.

Mac (smiling): Exactly, a frat brother would never screw a frat brother.

Average American: Well, one of my frat brothers became a used-car dealer. He sold me a used car. The wheels fell off one day after the 60-day warranty that he gave me expired.

Mac (frowning): Look, we are talking about *Yale* here, not some mediocre community college. You are suggesting that Jack, a certified genius and the smartest guy in my class at Yale, would *make the same mistake twice*.

Average American: Three times. Remember the Internet?

Mac (scowling): Look, you just don't understand the subtleties of high finance. If you don't spend \$700 billion to buy Megabank's bad investments, Megabank won't be able to borrow money from China and Saudi Arabia to lend to people like me.

Average American: Well, the Saudis aren't nerds are they. They wouldn't know what to do with stochastic differential equations any more than me.

Mac: Er, um,....

Average American: Why would they lend money to people who had lost \$700 billion?

Mac: Look, I went to Yale with Saudi Prince Abdul Mohammed bin... I forget the rest of his name. It was really long. Anyway, I know a Saudi Prince and you don't.

Average American: Well, why would Prince Abdul lend his money to some idiots who lost \$700 billion?

Mac: Well, it is complicated and beyond your limited amateur knowledge of the sophisticated world of high finance.

Average American (shaking his head): Look, I'm sure you mean well and you are a lot smarter than me, but I just don't think you have thought this through.

(The Average American leaves. Mac sits and frowns for several minutes. Then, he pulls out his super high-tech gold-plated Billionaire 2000 Cell Phone.)

Mac: Hi, Prince Abdul? This is Mac... Mac MacGregor, Multinational Widgets. We went to Yale with George. Yep. That Mac. We chatted last year at Davos. Exactly. Yes, I'm that Mac. Look, my company is looking for a new banker. We are a little concerned...yes, they lost \$700 billion. It's true.... No, I wouldn't lend them a wooden drachma either. I agree totally.... Ah, yes, I am on the alumni advisory committee for Skull and Bones. Yes, I recall you were rejected. I'll put in a good word for your grandson. Absolutely, I am sure your grandson will be accepted by Skull and Bones.

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