

I'm going to begin with the financial crisis and the recession

My proposal to end the recession and fix the banks

is called a payroll tax holiday.

But first, let me give you some background.

You've all heard about the problems with the banks,

and unemployment that's hitting 26 year highs.

Well, the Obama administration believes this:

**We have to first fix the banks to get the economy going**

Well, first of all, this is completely backwards

I've been in the financial markets for over 35 years,

And I know it's the other way around-

We have to first fix the economy to get the banks going.

But that's another story,

So let's get back to what the President says.

He says,

**We have to first fix the banks to get the economy going.**

So let's take a look at the banks.

The problem with the banks

is all the bad loans on their books.

But why are those loans bad?

What makes any loans bad?

Just one thing makes good loans go bad,  
and that's people who can't make their loan payments.

Bad loans are loans where people aren't making their payments.

If you can make your payments,  
the loans are good loans, and banks have no problems.

It's that simple.

So what's the Obama administration doing about all this?

They are keeping the banks alive with trillions of dollars of funding.

Yes, throwing trillions at the banks keeps them alive,  
but it doesn't help anyone make their payments.

So the loans are still bad,  
and the economy is still terrible.

I call this trying to fix the problem from the top down.

Give the banks funding, and hope it flows down to the rest of us somehow.

But it doesn't.

The right way to do it is just the opposite.

The right way to do it is from the bottom up.

That means supporting the incomes and jobs

of people and businesses working for a living so we can make our payments.

And making our payments is what fixes the economy and fixes the banks.

I call that fixing it from the bottom up.

So my proposal is to make sure people doing the work

get paid enough to be able to make their payments.

And the very good news is the government doesn't even have to give us anything.

All they have to do is to stop taking money away from us.

The Federal payroll taxes they deduct every week from our pay beginning with the first dollar we earn,

give the government 15% of our paychecks, which is 20 billion dollars a week.

That's over a trillion dollars a year they're taking away from people working for a living

and from the businesses that give us our jobs.

That's big money.

For example,

If you and your wife each earn 30,000 a year each,

payroll taxes send \$9,000 to the tax man.

So what I'm saying is instead of funding the banks with trillions,

The Federal government should, instead,

declare a full payroll tax holiday  
and just stop taking those trillions of dollars out of our paychecks,  
so we can afford to make our house payments,  
and our car payments for that matter,  
and so our business can employ us,  
which also automatically fixes the banks,  
Because when we make our payments  
all those bad loans turn back into good loans.

So let me say it one more time.

What we have is a government giving trillions to the banks  
when all they have to do is stop taking it away from working people's  
paychecks.

This will immediately end the recession and fix the banks.

So that's my first proposal- a full payroll tax holiday.

Now while this addresses the problems of the private sector,  
the States have their own crisis going on.

You've all heard about California about to go bankrupt,  
and lots of other States in big trouble as well.

In fact, when the Federal Government let the economy fall apart last year,  
all the States saw their incomes collapse.

And now they are all cutting their essential public services, including police, motor vehicle services, health care services, and even university classes.

So what does the Obama administration do?

They tell the States to submit lists of thousands of what's called 'shovel ready projects' to Congress.

And then Congress decides what to fund.

So all the states are sending in as many 'shovel ready project' proposals they can think of.

Some may be ok, some are half baked or less, some are completely ridiculous, but they have no choice,

because that's what they have to do to try to get the Federal money.

So what's the result?

The States need money to keep the hospitals and the highway patrol open, but Congress will only give them money for these shovel ready projects.

So the States are still cutting essential public services,

and at the same time spending Federal money on the less urgent federally directed projects.

Yes, our Federal government is forcing the States to cut hospital services and instead repaint swimming pools.

This makes no sense at all.

Well, what should we do for the States?

My proposal is to simply have the Federal government push back

the same 150 billion dollars to the states, but on a per capita basis.

That way each State gets a check based on the number of people who live there.

That check comes out to a total of about 500 dollars a person.

So, for example, the California State government, with 38 million people, would get 19 billion dollars.

The Florida State government, with 13 million, people would get a check for 6 and a half billion dollars.

These funds are sent to the States to spend however they want, with no strings attached.

This changes everything.

Because they all get the money on a per capita basis,  
proportionate to the number of people in their states,

It's fair. And because they all get treated the same, no one should object,  
and it doesn't reward bad behavior.

And it allows the states to keep the police department and schools and hospitals open,

The federal government simply 'pushes back' the money

to the same people who paid it,

the same voters, and the same tax payers.

And the federal government has no involvement whatsoever in what each State does with its own money.

If the people of a state don't like what happens to their money,

they can vote in new people at the next election.

This is fair. It gets the job done.

And it keeps the Federal government out of it.

And it is not even a consideration of the Obama administration.

So for a quick review-

We have the Federal government throwing money at the banks,

which does nothing for the bad loans,

when instead they could just stop taking it away from people who work for a living

which will quickly fix everything,

And while the states are cutting services and laying people off,

the Federal government is only funding other, less urgent projects.

So why is this happening?

It comes from an administration that doesn't understand the monetary system.

Which is why I am running for President

Now I'm going to tell you about a problem I've got with the Federal Reserve.

The banks are getting better,

even though the bad loans are still on the books.

How is that happening? ,

As you know, the Federal Reserve, acting entirely on its own, has cut interest rates paid by banks from 5% to about 0.

What this did was take money from savers and give it to the banks.

Yes, think about it.

You used to earn 5% on your savings account, now you are lucky if you can get anything.

That's a loss of hundreds of billions of dollars of interest for people who've saved their money.

Meanwhile, at the same time, the cost of borrowing money for almost all of us is still about the same.

And a lot consumer loan rates are actually higher.

So savers are losing big time and now getting almost nothing,

And borrowers are still paying high rates.

So where are those hundreds of billions of dollars going?

Yes, to the banks.

It's called 'net interest margins'

That's the profit the banks make

when they pay savers almost nothing,

and charge borrowers the same high rates as before.

Just watch when bank earnings come out later this month.

And it's all been under the radar screen of Congress and the media.

The Federal Reserve is moving hundreds of billions of dollars a year from savers to its banks, without out any oversight, supervision, or even anyone being aware of what's going on.

So the question is,

Do we want a government where a small group in the Federal Reserve, all by themselves, can decide to take hundreds of billions of dollars from savers

by cutting their interest rates?

And give it to the banks?

I don't think so!

But this is what happens with a government that doesn't understand the monetary system.

And that's why I'm running for President.

Sometimes it seems the entire government is operating out of control.

Strategy after strategy is totally confused.

Here's another quick example of a totally confused strategy.

Look at the Chrysler situation.

We are using tax payer money to clean up the books of Chrysler,

and using the federal government to break the union and slash pay and benefits,

to turn it all over to Fiat, a foreign company,

so they can sell their Fiat's in the US, which will be called Chryslers,

to compete with, and take market share away from, GM and Ford

who our government is also supporting.

Now what kind of a confused strategy is that?

Handing over an American company to a foreign company

so they can compete with the remaining American companies we are already heavily subsidizing?

And for another quick example,

our China policy is equally confused and also working against our national interest.

It's a bit complicated as well as confused,

and if you don't follow it it's not your fault, because it's totally illogical as well.

So let me give it a try.

For a number of years our government has been trying to reverse our trade deficit with China.

They want us to import less from China.

To do this they've been trying to get China to make its currency stronger against the dollar.

The way that works is if their currency is stronger, their labor costs go up,

and they have to raise the prices of the things they send to us.

If they raise their prices of the things they send to us, then the hope of our government is we buy less from them,

and that way our trade deficit goes down.

Let me repeat that one more time.

We are trying to get the Chinese government to make their currency stronger and the dollar weaker,

which gives their workers a pay raise,

so they have to raise prices to the point we won't buy their stuff.

By the way, if this US government strategy makes you wonder about our government,

it means you probably understand it.

So the bottom line is our trade negotiators, from Paulson to Clinton to Geithner,

have been pushing China to make their currency stronger and the US dollar weaker.

Now, at the same time, we have also gotten worried about China not buying our treasury securities.

Why? They tell us the big reason is because if they sell their dollars it would make the dollar weaker.

So here we are telling them not to sell their dollars because it would make the dollar weaker,

While we are also demanding they make the dollar weaker to reduce our trade deficit.

What sense does this make? Which way do we want it?

And it gets even more confused.

We're so afraid of them not buying our treasury securities,

-when in actual fact we don't need China or anyone else to buy our Treasury securities,

but that's another story, so let me go on-

we're so afraid of them not buying our treasury securities,

Secretary of State Clinton told them

that they should buy our Treasury securities so we will have that money to buy their products.

So do we want to buy more of their products or less?

Did I say this administration is totally confused?

At every level it's clear our administration doesn't understand the monetary system.

And it's working against us instead of for us.

Which is why I'm running for President.

I'll conclude by restating my two proposals to end the recession, fix the banks, and fix the states.

A full payroll tax holiday, and a lump sum, per capita, no strings attached distribution to the States.