

REALITY CHECK

The government is full of really bad ideas; the Stock Market Bailout ranks among the worst.

The Stock Market Bailout; a Really BAD Idea

John Williams

CEOs are human; they can make honest mistakes. Theoretically their job is working for the shareholders. They have a fiduciary responsibility to the shareholders to enhance the stock's value for the shareholders. Their job is heavy with details and a good CEO can make lots of money for the shareholders, and might be worth an annual salary 100 times the most money I ever made.

CEOs ARE responsible. They are paid big bucks to be responsible. They are responsible for ensuring compliance with laws and regulations regarding their enterprises and they have staff members to help with this part (and other parts) of their jobs. The idea that they didn't know something about what is going on in their company (my company) is an admission of fraud – they accepted money for a job they did not do adequately.



I have money in the stock market. It represents my future lifestyle in retirement. I am concerned about the stock market. In the short term not bailing out the bad loans banks have made on insufficient assets will hurt. But in the long run telling CEOs they can take risks and that they won't be accountable is to invite more. It will continue until it is not allowed to continue.

What is needed is some arrests, some criminal trials, and some serious jail time. Other CEOs will take notice. They might realize that they are working for the shareholders. They might realize that they must take their job as seriously as they expect their employees to take their jobs. Their responsibilities must be taken seriously. There is room for honest error, but not for a cover up, not for incompetence, and not for fraud.

It has been suggested that the government use OUR tax money to repair the damage. The government will take assets as collateral. It has been suggested that when the market recovers the assets might (love that word "might") be worth more and that the government might make money on the deal. (This is the same government that pays \$600 for a hammer and thinks it has received good value.) Even if it did happen that way I'm not certain I'm comfortable with the government "investing" in the stock market it is supposed to regulate (and arguably hasn't done such a good job to date).

Just because someone became CEO does not entitle them to millions. A good CEO is worth his salary. An average CEO might not be. Decisions that anybody could make are not worth millions. One sign that a company's board hasn't been doing its job well is when other companies in the same industry are doing better in the market. When a given sector is doing well, all companies in the sector are doing well, and I expect my companies to do better than their peers. When the sector is down, I expect my company to be less down than the sector and ready for a superior recovery when the market goes back up.

Fraud has been committed. Banks have been in a competitive frenzy with little regard for the long run. CEOs who allowed this to happen ARE responsible. They are paid to be responsible; if they didn't know they should have.

It was their job, the job for which they were well paid; actually very overpaid.

"There are limits to self indulgence. none to self restraint."

— Gandhi

