

DEAR PRESIDENT-ELECT OBAMA, DECEMBER 20, 2008

You are about to face a historically unparalleled array of disasters left behind by the present administration. Of the three most severe—wars on two fronts, an imminent deep recession, and a Federal government in disarray—I wish to focus on the economic crisis.

The Constitution wisely denies the President absolute power. Nevertheless, multiple threats demand an immediate declaration of a *state of national emergency* granting you extraordinary powers to act quickly. The stalled economy alone will demand this.

Fiat currencies, leveraged and re-leveraged by financial institutions, have created a speculative financial universe out of touch with reality. Now that reality no longer supports risks, the mutual trust in counter-party creditworthiness among financial institutions has evaporated. The credit freeze will not thaw until this trust is regained.

We cannot depend on the financial institutions that have created the mess to fix it. Ultimately, the bailouts they have sought will be used to reflate their solvency through the legitimization of unsound risks. Those of your advisors with origins in banking and investment will most likely see no alternative to bailing out those “too big to fail” while waiting for the unknown, but astronomical, unsound debts to “unwind”. Even with a Congress moving swiftly on re-regulatory legislation, prioritizing financial institution’s agendas promises a deep multi-year recession with widespread pain and dislocation.

Extraordinary measures will be required to reverse the downward spiral that we are now just entering. I am asking you, Mr. President-elect, to require your advisors to justify any course they recommend by answering this question: “Can you *guarantee* that this is the quickest way to return to a healthy economy, a way that won’t compromise our need to finance renewable energy, rebuild infrastructure, repair the environment, fund education, provide universal healthcare, and security for the elderly and disabled?” If they can’t, *you should take Federal control of the major financial institutions* and direct them to serve the immediate national purpose until the risk of spiraling deflation fades. This is the course recommended by William Greider in *The Nation* and has precedent in the handling of a similar crisis in Sweden. The declaration of a national emergency to buttress these actions seems a prudent and necessary defense of the national interest.

Such a course risks government corruption, unintended side-effects (such as contradictory directives), and likely ideological political blowback. In any case, Congress should enact your much-needed stimulus legislation promptly. However, *a stimulus will only be effective if it supplements an already un-frozen financial industry*. Otherwise it will slowly disappear—as will all bailouts—into the sinkhole of unsecured debt. Financial institutions know no other course than to continue to set investment priorities around private profit unless balanced by parameters that focus on unfulfilled public needs. *Decisive immediate action, though risky, promises success, where waiting for consensus from the banks and a lobbyist-dominated Congress guarantees failure.*