

# Shenandoah

## Your Vote In November Does Not Matter

By John Galt

July 17, 2008



Wen Jiabao, Chinese Premier who is in control of a *Communist* party that just happens to hold, according to some estimates, **\$1,000,000,000,000.00 plus (yes, that's one trillion) of our toxic MBS (Mortgage Backed Securities).** Add in another \$20 billion in holdings of Fannie Mae and Freddie Mac bonds controlled by the Bank of China, which the *Communist* party holds a controlling interest and you can see where if Wen says dance, Ben and Hank do the Shuffle, the Alligator or the Polka.



July 30, 2008

Political Diary  
July 30, 2008

## Bailing Out the Bank of China

Now that Congress has approved the bailout of housing giants Fannie Mae and Freddie Mac, those who voted "yes" are soon going to be asked an uncomfortable question: Why are you taking money from U.S. taxpayers to bail out the Bank of China and other nations' central banks?



**Henry M. Paulson**

It turns out the biggest supporter of the Fannie Mae and Freddie Mac bailouts has been the Chinese government. **The Chinese own about half a trillion dollars in Fannie and Freddie securities** and they've put the warning out to Treasury Secretary Hank Paulson they expect to be repaid in full. The fear among Mr. Paulson and other Treasury officials is that if Fannie and Freddie debt isn't repaid at 100% par, the Chinese may start dumping their hundreds of billions of dollars of Treasury securities, possibly causing a run on U.S. government debt and sharply raising Uncle Sam's borrowing costs.

China isn't the only foreign nation with a big stake in the bailout legislation. Many foreign governments have loaded up on Fannie and Freddie securities, according to data gathered by the Council on Foreign Relations. No. 2 on the list is the central bank in Russia, which holds about \$200 billion in these twin housing giants' securities. The oil nations in the Gulf region also own large holdings of the debt as well.

The Chinese, Russians and Saudis evidently can't tell the difference between the full faith and credit of the U.S. government, which is what stands behind U.S. Treasury securities, and the once officially-denied "implicit guarantee" that some in the market chose to see behind Fannie and Freddie paper. The federal bailout that President Bush agreed reluctantly to sign has effectively conferred upon Fannie and Freddie securities equal status to Treasury securities. This means going forward, the housing GSEs now effectively have unlimited use of every taxpayer's credit card.

Naturally, this has conservative fiscal watchdog groups like Dick Armey's Freedom Works and the National Taxpayers Union up in arms. There's a reason that Fannie and Freddie paper has paid out interest rates roughly half a point higher than Treasury securities over the years: higher risk of nonpayment. Former House Majority Leader Mr. Armey asks why Congress now feels compelled to pay back Fannie and Freddie's lenders 100%? Why not pay back, say, 90 cents on the dollar? Their lenders already have been compensated for higher risk of default, and this would not only save taxpayers money but also help delineate Treasury bills from GSE debt going forward.

So far, just about everyone has been made whole in this financial fiasco except taxpayers. Why Democrats and Republicans think it's good economics, let alone good politics, to put the interests of the Chinese and Russian governments ahead of their own constituents is a question members should be asked over and over between now and the election.

-- Stephen Moore

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