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**CONTACT:**  
Elizabeth Kelley Grace, 561/702-7471  
[elizabethkelleygrace@gmail.com](mailto:elizabethkelleygrace@gmail.com)  
Terri Slater, 561/487-7037  
[terrislater@comcast.net](mailto:terrislater@comcast.net)  
Broadcast: Pam Reimer, 608/727-2600  
[preimer@merr.com](mailto:preimer@merr.com)

**Banking Bailouts Will Prolong America's Second Great Depression  
According to White Paper by Leading Advocate for Investor Safety**

*Government underestimates debt crisis, overestimates ability to save troubled banks*

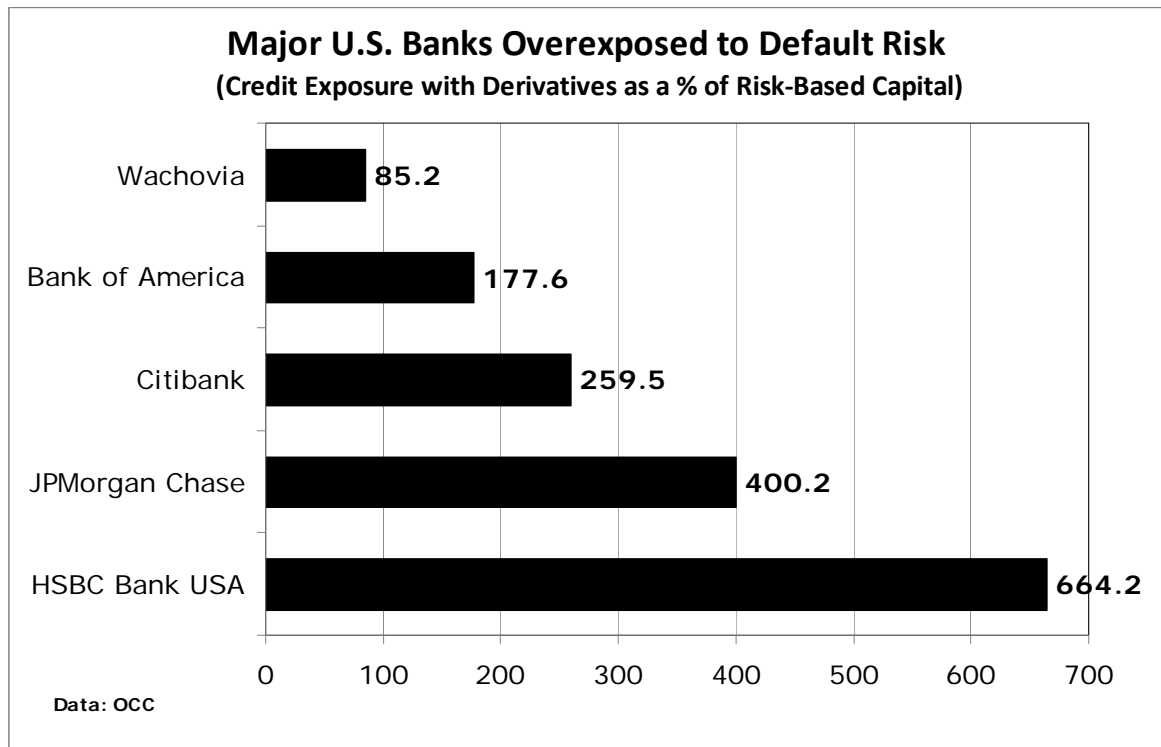
Washington, D.C., March 19, 2009 – The banking bailouts will further the nation's economic depression, according to [a white paper released today](#) by Martin D. Weiss, Ph.D., president of Weiss Research, Inc., an independent research firm. The white paper outlines three reasons the bailouts will fail and recommends a series of steps the government should take that will lead to a speedier recovery.

Titled "[\*Dangerous Unintended Consequences: How Banking Bailouts, Buyouts and Nationalization Can Only Prolong America's Second Great Depression and Weaken Any Subsequent Recovery\*](#)," the white paper lists America's weak banks and uses that data to demonstrate that the U.S. government greatly underestimates the scope of the debt crisis while overestimating its ability to effectively save troubled institutions without adverse consequences.

The most dangerous consequence of federal bailouts is growing market anxiety about an eventual Treasury default, raising the specter of potentially fatal damage to the credit of the U.S. Treasury.

"Including the Fed's commitment yesterday to buy \$1.15 trillion in additional bonds, the U.S. government has now spent, loaned, guaranteed or committed an astronomical sum of \$12.7 trillion in an all-out attempt to bail out failing companies, save Wall Street from a financial meltdown, and prevent an economic disaster," said Dr. Weiss. "Yet, despite these Herculean efforts, American households have already lost \$12.9 trillion in wealth, millions are losing their jobs, and, despite short-lived stock market rallies, the economy is sinking into a depression."

The debt crisis is much greater than the government has reported, according to the white paper. The FDIC’s “Problem List” of troubled banks includes 252 institutions with assets of \$159 billion. An analysis by Weiss Research, however, shows that a total of 1,568 banks and thrifts are at risk of failure with assets of \$2.32 trillion due to weak capital, asset quality, earnings and other factors. In addition, four large U.S. banks have credit exposure related to their derivatives trading that exceeds their capital, with two in particular — Citigroup and JPMorgan Chase — taking especially large risks.



AIG is only one of many potential triggers to a global chain reaction of failures, the white paper reports, and financial institutions are vulnerable to the contagion of mass withdrawals despite expanded FDIC insurance coverage and other government guarantees.

Turning to recent anti-crisis measures, Dr. Weiss writes: “Forced mergers involving troubled financial institutions have accomplished little more than move toxic assets up the food chain from smaller to larger institutions, while government plans to buy up the toxic assets have backfired. The ‘too-big-to-fail’ doctrine has proven disastrous and in its place we recommend a series of steps that will bring our nation closer to a recovery.”

Dr. Weiss went on to outline seven action items that U.S. government should take now:

- Abandon the unrealistic goal of saving all failing financial institutions or preventing a depression, focusing instead on the goal of rebuilding the economy's foundation in preparation for an eventual recovery.
- Switch priorities from the battles we can't win to the war we can't afford to lose, including emergency assistance for the millions most severely victimized by a depression.
- Pro-actively shut down the weakest institutions no matter how large they may be; provide opportunities for borderline institutions to rehabilitate themselves under a strict regulatory regime; and give the surviving well-capitalized, liquid and prudently-managed institutions better opportunities to gain market share.
- Seriously consider breaking up megabanks, following the model of the Ma Bell breakup in 1984.
- Build confidence in the banking system with better disclosure and transparency, including the public release of the confidential bank rating system called CAMELS (Capital, Adequacy, Management Qualifications, Earnings, Liquidity and Sensitivity to Market Risk) on all banks.
- Promptly restore FDIC coverage limits to \$100,000.
- Prepare the public for the worst, recognizing that a clear vision of dark clouds is healthier than wanton fear of the unknown.

Due to the nation's solid infrastructure and knowledge base, Weiss is optimistic we can overcome this crisis, while warning: "My optimism comes with no guarantees, and ultimately, we're going to have to choose: The wrong choice is to take the easy way out, try to save most big corporations, print money without bounds, debase our dollar, and ultimately allow inflation to destroy our society. The right choice is to step up, make shared sacrifices, take responsibility for future generations, let deflation do its work, and start regenerating the economic forces that have made the United States such a great country."

For the full text of the white paper, [click here](#).

### **About Weiss Research**

Weiss Research, Inc., based in Jupiter, Florida, is a subsidiary of industry-leading Weiss Group, one of the largest, most reputable sources of global investment information. Martin D. Weiss, Ph.D., along with Weiss analyst Mike Larson, are the only analysts in the U.S. who have specifically named nearly all of the major institutions that have suffered a financial failure in this crisis, whether in the form of a forced buyout, a government bailout or outright bankruptcy. Moreover, Weiss' failure warnings were

issued without ambiguity and with months of advance lead time, giving the public ample time to escape the dangers.

Weiss predicted the demise of Bear Stearns 102 days prior to its failure, Lehman Brothers (182 days prior), Fannie Mae (eight years prior), and Citigroup (110 days prior). Similarly, the U.S. Government Accountability Office (GAO) reported that, in the 1990s, Weiss greatly outperformed Moody's, Standard & Poor's, A.M. Best and D&P (now Fitch) in warning of future insurance company failures. (See <http://archive.gao.gov/t2pbat2/152669.pdf>.)

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