According to some pundits, the simplest solution to our economic crisis is to suspend or abolish the mark to market accounting rules.

For those unfamiliar. Mark to market is where a company reprices their assets on a daily basis to the most recent market transaction price. If asset prices are falling, this means that the total value of assets on a banks or other company's books falls. When the total value of assets fall, then those who have lent them money get worried. They are worried because the assets they lent them money against now are worth less. If the borrower cant pay them back, that leaves the lender SOL. SO, the lender demands that the borrower raise cash immediately or add assets to make their asset total higher. If the borrower does not, the lender will either take back enough assets to cover their loan, or find some other way to get their money back.

In a normal market, that wouldn't necessarily be bad because the borrower could refinance the asset and pay off the original lender. In this market, with credit tight or not available at all, that is not possible. So the borrower ends up selling assets at far below market value to raise cash quickly.

This type of desperation sale is happening everywhere, the latest example is Goldman Sachs sale to Warren Buffet. If enough assets are being sold at firesale prices, the market for those assets collapses, as we have seen with housing prices. This creates a vicious circle. Asset prices are sold at firesale prices. That forces more mark to market writedowns, which in turn forces more firesales. etc, etc.

To some the resolution is to end or suspend mark to market accounting rules. Their logic is obvious. If there is no need to mark to market, then assets are not written down. Banks and other companies are not forced to have firesales to generate capital and prices of assets are not pushed down by the firesales. All good, right ?

Not so fast.

The other side of the coin is that because assets are not being marked to market, shareholders and potential investors have no real idea what the assets on the bank/companies balance sheet are really worth. When prices are going up, shareholders and investors don't care. Prices are going up.

When prices are going down, as in this market, cash is dear, and investors and shareholders do not want to take any chances that the asset values on the balance sheets have fallen dramatically. No mark to market, no trust in the balance sheet, which means shareholders run to the exits and there is no one there to buy their shares. Which means banks have to go out and find someone way to raise capital from people who dont know the real value of their assets.

Both routes get us to where we are today: A 700B bailout from you and I the friendly taxpayer

Which leads to my proposal which solves both sides of the coin.

First, let me say that its about time we take advantage of the fact that we live in a broadband enabled society. Our society is now educated to go online for information. We are digital information consumers. Its time we recognize that fact and integrate it into our decision making process.

My proposal is that we suspend mark to market rules, but require complete asset transparency for any company that chooses not to mark to market. If a company avoids mark to market accounting, Every asset that company owns should be required to be listed on their website and updated in REAL TIME on their website. A full asset description, original cost or loan value, value on the books, and latest transaction for this class of asset, or an actual transaction price for the asset.

This means that investors will have the same information available as if the company had marked to market, but their actual balance sheet would not change. The best of both worlds.

I would recommend that every company be required to post this accounting information in a standardized format on a web page, AND to also post a complete comma delineated file that includes all that assets and required info.

Standardization is important as is this asset list. Why ? Because in this digital age, it wont be long till a very smart capatilist, takes all the data and creates a business out of consolidating and publishing the data and possibly even creating an exchange for the data.

If this is done, it allows for several alternatives to the current bailout plan to happen. It allows for what some call the "SwedishPlan" (from the 1992 Swedish bank bailout), but should probably now be called the Warren Buffet Plan or the 3P Plan. It is the direct purchase of equity from the banks/organizations that need it, in the form of preferred stock and warrants in a 10 plus 10 format. (10pct **P**erferred, in **P**erpetuity, callable at 10pct **P**remium, ie the 3P Plan)

A combination of a 3P plan and the Virtual Mark to Market gives the government a chance to make money back for taxpayers. It solves the banks problem of liquidity, and it stops the firesale of assets, while most importantly, increasing market transparency and in turn confidence in the market

It allows for the straight purchase of assets, by the Treasury or anyone else. I would of course recommend that any assets sold by institutions to the government then be updated with the price paid , date and who the buyer is. Transparency is king

tell me what you think about this idea.