No question the bailout is necessary. We need the liquidity. **But just like Botox, the impact of the Bailout will wear off very quickly. Its lipstick on bank balance sheets. The biggest mistake any taxpayer, shareholder or employee can make is to the think the Bailout solves the crisis. It doesn't.**

So Post Bailout what has really changed ?

1. Are there new limitations on debt leverage ratios ? No. The big investment banks are gone, but there are plenty of smaller ones ready and happy to take their place. Which is exactly where all the big brains of GS, AIG and Morgan Stanley will go

2. Will the economy improve ? No. The Bailout hopefully saved the economy from collapse, it didn't improve any fundamentals. The bankers who got us into this mess got a reprieve and a few of their jobs saved. The Bailout didn't make them any smarter. Taxpayers with good or better credit will have a chance to get loans. Same for businesses. Everyone else, the people who overspent their earnings and propelled the housing and retail economy the past several years, will not be able to refinance and will have to…….spend no more than what they can afford to pay off on their credit cards. Which means the economy will contract to a smaller level and then start to grow again as people are able to save money and then spend those savings.

If people actually do save money, the contraction will be tough, but it will be shorter . This is still the USA and once people see money in their savings accounts (however and wherever they are held), they wont be able to resist the hole that is being burned in their pockets.

3. Are there any limits on credit or other derivatives products ?Hell No. All the fancy financial instruments that caused AIG and others to go belly up or get bought are still unregulated. Unregulated and ready to be bought and sold by everyone who bought and sold them before. Do you really think those people are going to be willing to make less money in 2009/10 and beyond than they did last year because of what the world financial system is going through now ? Hell no.

They will invent new versions of the same instruments that supposedly avoid the pitfalls of the previous generations that got us into this mess. They will attract huge amounts of cash and without regulation, the "Next AIG" will overleverage, the system will deleverage and we will have Deja Financial Vu all over again.

Remember this. The 1.25 Trillion Dollars plus lost in this crisis, IS MORE THAN THE HAS BEEN MADE IN THE ENTIRE HISTORY OF BANKING . Worse yet, its not the first time they have lost everything they have made in the history of banking.

4.There is a new sucker at the Table. One of my favorite sayings is that when you sit at the table to do a business deal, you look for the sucker. If you don't see the sucker, its you. **Well there is a new sucker at the business table, The US Government.** There will be an untold number of vulture deals put together to leverage the anxiety of politicians who want to prove the Bailout can make a profit and quickly get taxpayer money back. Don't be shocked to see the XY Morgan BailOut Opportunity Fund being sold in commercials on CNBC and Fox Business Network.

5. Transparency ? So how will we know how the assets purchased by the BailOut are doing ? We won't. We will be told by our politicians how they are doing. Which means they will spin numbers they don't understand into soundbites they hope will get them elected. Unless we move the purchased assets and the resulting transactions they create into a fully transparent fund that trades on a major exchange, we will NEVER know how well the assets have done. They will go into the general budget and be lost in the sauce.

Just try to understand the national debt and the accounting behind it and you will see how impossible it will be to track the success or failure of the Bailout.

Putting the assets into an ETF, as I suggested in my last post, will allow every taxpayer to see just how the assets are performing on a tick by tick basis, just as we follow the performance of any stock or fund we own. Because an ETF allows for the exchange of assets with Shareholders, it will also insure that the assets are managed properly. In addition, because the shares owned by the US Treasury can be sold into a liquid market, the money "invested" in to these assets could be returned far more quickly.

How would it work ? The Treasury would buy the assets , apparently 250B to get started, and put those assets and the costs to manage them into the ETF. It would then issue 250B of shares, probably 2.5B shares at $100 each to themselves.

They would then immediately begin to sell shares to the market. So people like me, you , institutions, anyone who thought that this is a good deal, could buy the shares initially at $100 ea. From this initial offering, the market would take over. If investors thought the assets were being well managed, the price would go up. If not, it would go down.

If demand was strong enough for the shares, and the price went up, the Treasury could issue more of the shares they own into the market, there by IMMEDIATELY REDUCING THE COST TO TAXPAYERS.

As a frame of reference, the marketcap of the fund, based on a 250B initial bailout, would of course be $250B dollars to start, which just happens to be the same marketcaps as MicroSoft and the same marketcap as General Electric. So this is far from being too big for the market to handle.

I promise you, this would work far better than the current plan to keep the assets behind the veil of the government, with no transparency beyond the listing of transactions and assets on government website.

6. Wall Street Will be a Barometer of the Bailout: **No Longer.** Far too many of our politicians think that the Stock Market, in particular, the Dow Jones is and will be a good barometer of how smart the Bailout is and how well it will do. **WRONG**. There has been this big push to get the Bailout done before markets open. They lost all that sleep for nothing.

The minute the SEC suspended short selling on the 900 or so stocks they wanted to protect, they killed the value of the Dow as an index on the economy and the success of the Bailout. We saw a big selloff last week as short sellers and hedges conformed to the new rules and adjusted their portfolios. Since that point, we no longer have an efficient market. Short Sellers keep optimism in check. The lack of short sellers mean that its hard for the market to be honest. We will hear more proclamations by companies that "there are no problems" and days or weeks later hear the same CEO comment that the failure of the company was "unforseeable and caused by dire market forces". It certainly will not be a true indication of financial performance.

Short Sellers serve a very valuable service to shareholders and taxpayers. Losing that has and will make the market unstable and unreliable. Always remember that it was short sellers that uncovered Enron, and all the biggest frauds on Wall Street.

With a Bailout in place, the market will go up. There will certainly be a post bailout placebo effect. How could there not be, there are no shortsellers to keep it down. But once the momentum stalls because there is no real capital left to buy stocks, then it will start to fall. Those who bought in the runup, the momentum players, will rush to cash and out of stocks to protect their portfolios.

Where will the market be in 6 months. No idea, but my guess is that it will be lower than it is today.

When the SEC allows shorts again, and it will have to, then it will fall lower. BUt thats good news. We will be able to trust stock valuations and we all can consider buying stocks with stable dividends again.

7. Main Street Hustles: If you think there were too many "buy homes at foreclosure" and "buy cars from the government" scams before, you aint seen nothing yet. It should immediately become illegal for anyone or any company to advertise the sale of individual assets sold to non qualified investors.

8. JP Morgan seems to be buying everything, are they being watched more closely now ? Of course not. **They are the winners, and to the winners goes the Wizard of Oz Curtain**. This is where we all pray that the assumptions that JPM is basing their acquisitions hold true. Read this to see the assumptions they are making on their purchase. If they are materially wrong, **No one will be able to bailout that failure.**

JP Morgan also is already in bed with taxpayer money. The Treasury will cover up to $29B in losses from Bear Stearns assets. Has any taxpayer seen any disclosure or transparency on this ? Of course not.

JPMorgan is a company trying to integrate the asset and debt base of two HUGE failed companies, Washington Mutual and Bear Stearns. It had to raise $8B just to get their equity to assets ratio in line. It needed the Treasury to backstop 29B in Bear Assets. Don't get me wrong, I think JPMorgan is a very good company. But so was AIG. Its not so amazing any more what execs will allow to happen on their watch to push earnings and stock prices. Make sure you ask your representatives in Congress to keep an eye on JP Morgan.

9. Will more banks fail and what should I do ? Yes. Absolutely. If you have less than 100k dollars in the bank, do nothing. You are protected by the FDIC. If you have more, ask your bank about CDARS. CDARS is a distribution service that banks participate in that allows the bank that holds your deposits to distribute them among different banks to keep each of your accounts under 100k and as a result protected by the FDIC. This is what I did for foundation accounts I have.

In addition, there is something called the Right of Offset. If you owe the bank money for any reason, business, mortgage, whatever , and the bank fails, then you can offset the money you lost in the failure against any money you owe the bank. So if you have a mortgage, call the bank and confirm that you have the right of offset and move the money you have in accounts to that bank.

Remember to make sure which accounts match which debt. Your bank can confirm what matches and explain to you how the right of offset works.

For brokerage accounts, check with your broker to see what is insured, and what is not. Ask him/her what happens if the broker or institution that you bought your funds from fails. Make sure you get it in writing/email. This will be your protection to make sure that what you hear and what he/she is saying is the same thing.