THE WON'T GET FOOLED AGAIN ACT

The Emergency Version: Summary

The plan for a crash already under way, in plain language: one paragraph, the key points, and one page

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In One Paragraph

This is the Won't Get Fooled Again Act for a crash that has already begun. The AI boom ran on borrowed money, the money is coming due, and the banks and companies that lent and borrowed it are starting to fail, as they did in 2008. Last time, Washington bailed out the biggest players and sold the failures to even bigger ones, and the biggest players are back in Washington now asking for the same deal. This Act is the other bill. Its rule is simple: any bank, and any major technology company, that needs public money to survive has failed, and help comes on one set of terms only. Shareholders are wiped out, executives give back their pay, lenders get what their collateral is worth today and no more, and the institution becomes a bank owned by its depositors or by the public, a public research institute, or a public computing utility open to everyone. Workers, depositors, and pensioners are protected, and the largest firms are barred from buying up the wreckage. Because nothing was prepared, the public puts up the money first and the industry pays it back. It is harder and more expensive than planning ahead would have been. It is still far better than a third bailout.

Why It Matters

Every bailout follows the same arc. A bubble inflates on borrowed money. It bursts. The government borrows hundreds of billions more to rescue the banks and companies that inflated it, and sells the failures to the largest survivors. The debt lands on the public. The rescued institutions come out bigger and their owners come out richer, because the losses were shared and the gains never were. And the recovery that follows is slow and thin for working people and the middle class, who lost jobs, homes, and savings and saw none of the rescue money. That is what happened after 2008, and the country is still living with the results: a more indebted government, a more concentrated economy, and wealth piled higher in fewer hands. Each round makes the next one worse.

The Won't Get Fooled Again Act is the plan to break that cycle. It does not just refuse the next bailout. It puts something better in its place. Other industrialized countries have what the United States lacks: networks of public and community-owned banks that finance local businesses, housing, and infrastructure in good times and bad, and public infrastructure for the technologies their economies run on. That is part of why their economies are steadier and their societies more equal. The United States once had more of this itself, in its mutual savings banks, its credit unions, and the Bank of North Dakota, and let most of it go. The crash now under way is the chance to build it back at scale, out of the very institutions the public would otherwise be paying to rescue. The country comes out of the crisis with a stronger and fairer economy, not a weaker and more indebted version of the one that failed.

The Plan in Eight Sentences

- Any bank or major technology company that needs public money to survive has failed, and help comes only on the terms of this Act, from any agency, including the Federal Reserve.
- A failed bank is not bailed out and not sold to a bigger bank; it reopens as a public bank owned by its depositors or by the public.
- A failed AI company becomes a public research institute or part of a public computing utility open to everyone.
- Shareholders, executives, and lenders take the losses; workers, suppliers, customers, and every depositor are protected, and every deposit is guaranteed by Congress at once.
- The biggest companies are barred from buying up the wreckage, and sales already made to them can be unwound.
- The public borrows the money first, and the industries that caused the crash pay it back through fees and premiums.
- The rules take effect the day the bill is introduced, so the debate in Congress cannot become a race to grab assets.
- It is a complete bill, ready to pass, because in a crisis whoever arrives with a finished text wins.

What You Need to Know

Where things stand

- The Act was meant to be passed before anything failed. Then the industry would have been paying premiums for years, a registry would show who owns the nation's AI chips, the important firms would have filed plans for their own conversion, and every lender would have known the rules when it lent.
- None of that exists. The funds are empty, nobody in government knows who owns which chips, lenders are already seizing hardware and selling it to the few giants with cash, failed companies are already in bankruptcy court, and the largest banks and technology companies are already in Washington asking for money, with a bill of their own.

The central rule: aid means conversion

- In 2008 the whole financial system nearly collapsed, and the government authorized $700 billion in direct bailouts, plus a whole range of other support, with almost no conditions. The banks kept their shareholders and their executives, the public kept the bill, and the biggest banks came out bigger.
- A country cannot run without a financial system, which is why banks always get rescued. But for-profit banks have shown again and again that they cannot stay out of risky speculation when the profits are private and the losses are public. This Act ends that arrangement. From now on, every failed bank that is still a functioning bank becomes a bank with no shareholders, owned by its depositors or by the public. That is not an unusual arrangement. Germany's public savings banks and the Bank of

North Dakota, founded in 1919, have served their communities for generations, and America's mutual savings banks and credit unions have long belonged to the people who bank with them.

- Under this Act, any bank, and any technology company big enough that its failure would shake the economy, that needs emergency public support has failed. It is placed in receivership, temporary government management while it is sorted out, and converted. Shareholders lose everything, lenders get the current value of their collateral, and executives' pay is clawed back.
- Lenders are paid at all because the public keeps their collateral, the chips and data centers the loans were secured by, and the Constitution does not allow the government to take property without paying for it. They are paid what it is worth today, as a court would value it, and nothing for what they lent against it. Every creditor gets at least what an ordinary liquidation would have paid, which is also what the Constitution requires. Lenders lose the fantasy value of the boom. They do not lose what the law guarantees them.
- A technology company also goes into receivership automatically, with no vote, if it files for bankruptcy or misses a payment of $100 million or more once its grace period runs out (30 days at most). Stepping in earlier than that takes the agreement of the FDIC's board, the Federal Reserve Board, and the Treasury Secretary, and a court can review the decision within 24 hours.
- The rule binds every federal agency, and it names the Federal Reserve. The Fed may keep lending to sound banks against good collateral, which is its normal job. It may not quietly prop up the debts of failing AI companies or the funds that lent to them, which is how a bailout would happen this time if the law did not stop it.
- There is a legal reason to write it this way. Conditions a firm accepts in exchange for help are much harder to challenge in court than terms the government imposes on it. A firm that asks for help has agreed to the deal.

What changes because we waited

- The money is borrowed first. A $250 billion credit line from the Treasury pays for the resolutions up front, and the Treasury Secretary can raise it to $400 billion by certifying the need to Congress. The industry repays it, with interest, over 10 years or more, through a tax on high-end chips and large training runs, premiums on the largest technology companies, and a surcharge on the largest banks. If repayment falls behind, the rates rise automatically. The public is the lender, not the donor.
- Capital for the converted banks is borrowed the same way, up to $75 billion on top of that line, and repaid by the surcharge on the largest banks. A wave of failures the size of 2023 would need about $43 billion to $53 billion. That money is not spent. It becomes the capital of working public banks, and if one of the giants fails, its own loss-absorbing debt, a cushion the biggest banks are required to carry, is used up first.
- There is no agency for technology failures yet, so the FDIC, which already knows how to take over a failed institution in a weekend, acts as receiver for failed technology companies from the first day, with engineers from the Department of Energy's national laboratories running the machines. The permanent agency, the FDIC-Tech, is set up within 18 months.

- Which technology companies count as too important to be left to bankruptcy court is decided by numeric thresholds written into the bill, applied within days, so there is no long study while the companies fail.
- There is no registry of who owns the country's AI chips, so until there is one, the companies barred from buying distressed chips and data centers are named by a formula anyone can apply: the five largest cloud providers by revenue, and any company they control. They may not lease those chips from someone else either, or buy a firm that is on the edge of failure. An emergency census of who owns what fills in the picture within two weeks.
- The public gets first pick. On any distressed sale of chips or data centers, the public can match the best eligible bid and take the assets for its computing utility.
- The rules take effect on the day the bill is introduced, not the day it passes. Otherwise the weeks of debate in Congress would become a race to grab assets before the door closes. From that day, at any firm that meets the thresholds, and for 90 days after a receiver is appointed, lenders may not seize or sell equipment and suppliers may not cancel contracts. A working company stays a working company while its future is decided.
- The loophole that let JPMorgan Chase, already over the national cap on any one bank's share of deposits, swallow First Republic in 2023 is repealed on the day the bill is introduced. No failed bank goes to a giant.
- Sales of distressed computing assets to the dominant firms since the crisis began can be unwound. Getting in early does not let them keep what they grabbed.
- Failed companies already in bankruptcy court are moved into the new process, as Congress did with the bankrupt northeastern railroads when it created Conrail. Bankruptcy court exists to pay creditors, not to keep the services running.
- Every bank deposit is guaranteed immediately by Act of Congress, free at first, with the cost billed to the banks afterward. Since 2010 the FDIC has not been allowed to do this on its own; Congress has to vote. This stops the run on mid-size banks the moment it passes.
- If banks' day-to-day borrowing has to be propped up, the government guarantees new borrowing for a fee. It never guarantees the bonds investors already hold. Investors who lent to a failed bank are not made whole at public expense.
- Because no firm has prepared to be taken over, destroying data, deleting model weights, or sabotaging a firm in receivership is a federal crime, officers must hand over system access within 24 hours, and retention pay goes to the staff who keep the services running. The people who know how the machines work are the asset that matters most, and the Act keeps them at their desks.

What stays the same

- Every failed bank that is still a functioning bank becomes a Public Benefit Bank with no shareholders, whatever its size: the same branches, accounts, and staff on Monday morning, barred from speculation and required to lend to households, local businesses, and public projects. Local and regional banks pass to their depositors, who elect the board, or to a state or city, and only the largest become federal public

banks. A bank not worth converting has its accounts and sound loans moved to a nearby converted bank, credit union, or community bank, never to one of the giants.

- Failed AI labs become public research institutes. Failed data centers and cloud providers become a National Research Cloud, a public computing utility that keeps running and sells computing power at regulated prices, with affordable access for researchers, startups, nonprofits, government at every level, and the public at large.
- Once lenders have received the value of their collateral, workers, small suppliers, customers, and local governments are paid before banks and investment funds get anything more, by a priority list written into the law. Pensioners are protected through an industry-funded Pension Protection Facility, not by rescuing the lenders who hold their money.
- The public pays only what tangible assets are worth today, and nothing for hype. Courts review the price afterward and can award money, but they cannot stop a conversion. The valuations of the boom do not survive the bust, and the public does not pay for them.
- Community Innovation Hubs, free places to work, learn, and start a business, are funded in every congressional district by a fee on the largest AI and cloud companies.

Why waiting costs more

- Data centers will have gone dark and staff will have left. A dark site is much harder to restart than a live one is to keep running.
- Some of the best hardware will already have been sold to the giants.
- Lenders who never expected losses will have lent more, against worse collateral, and their lawsuits are stronger because the rules changed after they lent.
- The public advances all of the money and carries the risk until the industry repays it.
- Planning ahead would have been cheaper and far less painful. But the choice in a crisis is never between this plan and a better-prepared one. It is between this plan and a third bailout.

Why it is a full bill

- The first draft of the 2008 bank rescue was three pages long. It asked for $700 billion and put the Treasury Secretary's decisions beyond the reach of any court. Congress saw a blank check and refused to pass it, and the bill that passed days later was hundreds of pages written in a hurry, some of it shaped by industry lobbyists. Whoever has a finished text when the panic hits sets the terms.
- So this is a complete bill, not an outline, and it is staged: the freeze, the deposit guarantee, the receiver, the credit line, and the aid rule take effect at once; the chip registry, the licensing, and the new agency phase in over the following 18 months.

The One-Page Summary

The crash has come, and the law that was meant to be waiting for it was never passed. The AI boom ran on borrowed money, much of it lent against computer chips, and the chips are losing value by the week. The companies that rent out computing power are missing their loan payments. Their lenders

are seizing the hardware and selling it to the few technology giants with cash. The lightly regulated funds that made many of the loans have stopped paying out, pension funds and insurers are reporting losses, and depositors are pulling their money out of mid-size banks and into the handful everyone believes the government will never let fail. It is 2008 again, with data centers in place of houses. And in Washington, the largest banks and technology companies are offering to buy their failed competitors if the government will cover the losses. They have a bill ready.

The emergency version of the Won't Get Fooled Again Act is the other bill. Its central rule is that any bank, and any technology company big enough that its failure would shake the economy, that needs public money to survive has failed. Help comes on one set of terms only: shareholders are wiped out, lenders are paid what their collateral is worth today, as the Constitution requires, and not a dollar more, executives return their pay, and the institution is converted. Failed banks of every size become banks with no shareholders, owned by their depositors or by the public, that lend to households, local businesses, and the big national projects Wall Street passed over. Failed AI labs become public research institutes, and failed data centers become a public computing utility that keeps the services running and opens access to everyone. No federal agency, and specifically not the Federal Reserve, may offer a rescue on easier terms. In 2008 the government authorized $700 billion for the banks, plus a whole range of other support, with almost no conditions. This time, public money buys public ownership.

Everything else follows from having to act late. There are no years of premiums in the bank, so a $250 billion Treasury credit line pays for the resolutions up front and the industry repays it, with interest, over 10 years or more. There is no agency for technology failures, so the FDIC, which already knows how to take over a failed institution in a weekend, acts as receiver from the first day. There is no registry of who owns the country's AI chips, so the five largest cloud providers are barred by formula from buying distressed chips and data centers, and an emergency census fills in the picture within two weeks. The rules take effect on the day the bill is introduced, so that the debate does not become a race to grab assets, and sales already made to the giants can be unwound. Companies already in bankruptcy court are moved into the new process, as Congress did with the bankrupt railroads when it created Conrail. Every bank deposit is guaranteed at once, and the banks are billed for it afterward.

The people who did not cause the crash are protected. Workers keep their jobs and are paid ahead of the banks and funds, along with small suppliers, customers, and local governments. Depositors lose nothing. Pensioners whose savings were steered into the failed loans are protected directly, through an industry-funded facility, not by bailing out the lenders who hold their money.

Waiting has a price. Sites have gone dark, engineers have scattered, assets have been sold, the lawsuits are stronger because the rules changed after the loans were made, and the public has to put up all of the money first. Planning ahead would have been cheaper and far less painful. But the choice in a crisis is never between this plan and a better-prepared one. It is between this plan and a third bailout. This is a complete bill, not an outline, because in a crisis whoever arrives with a finished text wins.

What comes out the other side is the same as it would have been with more warning, only harder won: the network of public banks and the public computing utility the country has long lacked, owned by the

public or by the depositors themselves, worth what was paid for them, and an industry paying for its own risk instead of the public paying for it.