The Won’t Get Fooled Again Act: Summary

The plan in plain language, in one paragraph, in bullet points, and on one page

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In One Paragraph

The Won't Get Fooled Again Act is a plan for the next financial crisis, written before it arrives. The AI boom is running on borrowed money, and when it bursts, banks and other big companies will fail, as they did in 2008. Last time, Washington bailed out the biggest players and sold the failures to even bigger ones. This Act takes that option off the table. When a bank or a major AI company fails, the government does not rescue it and does not hand it to a bigger rival. It converts it into an institution with no shareholders: a bank owned by the people who keep their money there, or by the public; a public research institute; or a public computing utility open to everyone. The shareholders, executives, and lenders who financed the bubble take the losses. Workers, small suppliers, customers, and every depositor are protected. The industries that create the risk pay the costs, and the largest companies are barred from buying up the wreckage. If Congress waits until the crash to act, there is an emergency version of the plan: harder and more expensive, but still not a 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, when it comes, 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

- When a bank fails, it 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.
- When a major AI company fails, it 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.
- Every bank deposit is insured, and pensions exposed to the failed loans are protected directly.
- The biggest companies are barred from buying up the wreckage, so a crash can never make them bigger.
- The industries that create the risk pay for all of it, through fees and premiums, not taxpayers.
- Whether or not a crash ever comes, those fees fund a free innovation hub in every congressional district.
- If Congress waits until the crash, an emergency version of the plan is ready: harder and more expensive, but still not a bailout.

What You Need to Know

The problem

- The American economy is leaning on an AI investment boom, and the boom is running on borrowed money. The big AI companies are spending far more on chips and data centers than AI earns them, and they are borrowing the difference. Mainstream banks have gotten in on the frenzy, along with pension funds and insurance companies, the same way they piled into mortgages before 2008. When the AI bubble bursts, those loans go bad, and banks go down with them, including some of the biggest. It is the 2008 housing crash again, with data centers in place of houses.
- When bubbles burst, Washington has two habits. It bails out the big players with public money, and it sells the failures to even bigger players. In 2008 it did both. So did it in 2023, when the government handed First Republic, a failed bank, to JPMorgan Chase, which was already the largest bank in the country. Each time, the people who made the bad bets kept their gains, and the public paid for their losses.
- Every rescue leaves fewer, bigger banks and companies, each one harder to let fail the next time, and a country deeper in debt. The money borrowed to bail out Wall Street is money the country cannot spend on building anything.

What the Act does

- When a bank fails today, the government takes it over on a Friday night and sells it to a bigger bank by Monday. That is how every crash leaves us with fewer, larger banks. The Act keeps the weekend takeover and changes what happens on Monday. If the failed bank still has real customers and real loans, it reopens as a Public Benefit Bank: the same branches, the same accounts, the same staff, but no shareholders to pay. It is barred from Wall Street speculation and required to do the plain work of

banking, taking deposits and lending to households, local businesses, and public projects. Your account works Monday morning. Nobody gets bailed out, and no giant gets bigger. The rule is the same for a small-town bank and for the largest bank in the country.

- Who owns a converted bank depends on its size. A local or regional bank becomes the property of its own depositors, who elect its board, the way a credit union works today, unless the state or city it serves chooses to take it over instead. Only the biggest banks, the national ones with customers in every state, become federal public banks. Those get a second job as well: financing the big national undertakings, the new industries and ambitious ventures, that Wall Street passed over while it chased speculation. None of this is exotic. Germany's public savings banks, the Bank of North Dakota, and America's own mutual savings banks and credit unions have run this way for generations.
- Not every failed bank is worth keeping. If the FDIC, the agency that handles bank failures, finds that a failed bank has no real base of customer deposits, no real lending business, or went under mainly because of fraud, it can decline to convert it, but it has to say so in writing and in public. The bank's accounts and its sound loans then go to a nearby converted bank, credit union, or community bank. What can never happen is a sale to one of the giants. The loophole that let JPMorgan Chase swallow First Republic in 2023 is repealed.
- The rule has no side door. Any bank, and any technology company big enough that its failure would shake the economy, that takes emergency federal money is treated as having failed and gets these terms: no shareholders, no bailout. No federal agency may offer a softer deal, and that includes the Federal Reserve. A company that wants to be saved on its own terms will find that no one in Washington is allowed to offer them.
- When a bank fails, the FDIC takes it over so that its customers never lose access to their money. Nothing like that exists for technology companies. If a company that millions of people and businesses depend on went bankrupt tomorrow, it would be handled in bankruptcy court, which exists to pay creditors, not to keep the lights on. The Act creates an FDIC for technology, the FDIC-Tech, either as a new agency or as an independent division of the FDIC itself. When a critical technology company fails, it takes charge, keeps the services running, and decides what becomes of the company.
- When a company fails, the government appoints a receiver, a temporary manager who takes charge while the company is sorted out. Most of what an AI company owns, its chips and data centers, was bought with borrowed money, and the lenders can repossess that equipment the moment payments stop. So the first sign of trouble starts a stampede. Every lender races to grab its share before the others, and within a week a working company is a pile of parts: the services go dark, the staff scatter, and the chips are sold for whatever they fetch, usually to the biggest players. The Act stops the stampede with a 90-day freeze from the day the receiver arrives. Lenders may not seize or sell the equipment, suppliers may not cancel their contracts, and nobody may demand early repayment. The company keeps running, and the public gets a working business to convert instead of a salvage yard.
- What a failed company becomes depends on what it does. A failed AI lab becomes a public research institute. Failed data centers and cloud providers become a National Research Cloud: a public computing utility, like a public power company, that keeps running and sells computing power at regulated prices. Today the computing power that AI runs on belongs to a handful of companies, and everyone

else rents it on their terms. The public cloud opens it at affordable prices to researchers, startups, nonprofits, governments at every level, and the public at large. The public gets working data centers out of the crash, and far more people get to use them.

- There is no ceiling on how much failed capacity the public may take on. But there is a rule against sitting on it: any capacity left idle for more than 30 days must be offered for sale. The public cloud has to be a working utility, not a warehouse.
- One part of the Act starts paying off whether or not a crash ever comes. A fee on the largest AI and cloud providers funds a Community Innovation Hub in every congressional district: a free community workspace where people can start a business, learn new skills, and work alongside each other. Hubs that already exist can apply for the money as well as new ones. There are hundreds of incubators and coworking centers in American cities already, and there is an older model too: public access television, which the cable industry paid for. The industry that is reshaping work would pay to put its tools in every community, far from Silicon Valley.

Who pays and who is protected

- Shareholders lose everything. They owned the company and took the gamble, and when it fails their shares are worth nothing. Executives responsible for the failure give back five years of pay. In 2008 the executives who drove their banks into the ground walked away with their bonuses. Not this time.
- Lenders are paid what their collateral is worth on the day of failure and not a dollar more. Collateral is the property a loan is secured by, here mostly chips and data centers. Ordinarily, when a borrower fails, the lender takes the collateral and sells it. Under this Act the public keeps the chips and data centers instead, and the Constitution does not allow the government to take property without paying for it. So the public pays the lender what the collateral is worth that day, as a court would value it, and nothing for what was lent against it. A lender that lent against chips now worth half as much gets half back. The government does not take on a failed company's debts. That is the difference between this and a bailout: in 2008 the public made the lenders whole. Here the lenders eat their own losses.
- After the secured lenders have received the value of their collateral, what is left goes first to workers, small suppliers, customers, and local governments, before banks and investment funds see another dollar. The order is written into the law in advance, so it cannot be renegotiated in the middle of a crisis by the people with the best lawyers.
- Every bank deposit is insured, at every bank, with no limit, and the banks pay for the coverage through premiums set by how much risk they take. Today deposit insurance stops at a fixed limit, and the limit does not make banks careful. It makes depositors nervous. In every panic, people with more than the limit rush their money to the biggest banks, which they assume the government will never let fail, and the rush itself pushes smaller banks over the edge. That is what happened in 2023. Full insurance ends the stampede.
- Pension funds lent into the AI boom too. When those loans fail, retirees are protected directly, through a Pension Protection Facility paid for by the industry. The loans themselves take the loss. The alternative, rescuing the lenders in order to protect the pensions behind them, is how every bailout gets justified, and it is exactly what this Act refuses to do.

- When the public takes over failed assets, it pays only for things that are real: hardware, buildings, and proven technology, at what they are worth that day. It pays nothing for hype, brand names, goodwill, or projections of future growth. The valuations of the boom do not survive the bust, and the public does not pay for them.

Keeping the giants from getting bigger

- Today nobody in government knows who owns the country's AI computing power. The Act creates a national registry of every large cluster of advanced AI chips, modeled on the registry that records who owns every aircraft. Owners need a simple license, which must be issued to anyone who meets published security standards. It is paperwork, not permission: the government cannot use it to say no to anyone who qualifies. But when the crash comes, it knows where everything is.
- The real danger in a crash is that the biggest companies buy up everything cheap and come out more dominant than before. That is what happened to banking in 2008. So any company that already controls more than 5% of the nation's AI computing capacity is barred from buying chips or data centers out of a bankruptcy or a foreclosure. It may not get around the rule by leasing chips that someone else bought that way, and it may not buy a firm that has warned regulators it is close to failing. It can still buy as many new chips as it likes. The public gets first pick of the distressed assets. Everything else goes to smaller buyers.
- Chips from registered clusters are tracked through every resale. If chips vanish in a fire sale, they can be traced to whoever last held them. Without that, the 5% rule could be dodged through a chain of middlemen.

Paying for it

- The industries that create the risk pay for the system, the way banks pay for deposit insurance today. On the technology side, a tax on high-end chips and large training runs, plus risk-based premiums from the largest technology companies. On the banking side, a surcharge on the largest banks. Taxpayers are not the insurer of last resort.
- The funds will be nearly empty when they are first needed, because premiums take years to build up. So they may borrow from the Treasury: up to $100 billion, repaid from future levies within 10 years, or up to $250 billion, repaid within 15 years, if the Treasury Secretary certifies that pending resolutions need it. The fund that puts fresh capital into converted banks may borrow up to $75 billion on the same terms. This is exactly how the FDIC's own insurance fund is backstopped today. The public lends, and the industry repays.
- How much would it cost? In a serious crash the debt of failed AI-related companies might run to $150 billion to $285 billion. But the public pays only what the assets are worth, not what was borrowed against them. If used hardware loses most of its value in the crash, the public's outlay would be closer to $50 billion to $100 billion, and perhaps double that if the hardware holds its value. Either way the public ends up owning working assets worth what it paid, instead of a bill for someone else's losses. These are rough estimates.
- On the banking side the FDIC's own records give the scale. The bank failures of 2023 would have needed about $43 billion to $53 billion of capital to convert, and the failures of 2008 through 2013 about $55

billion to $69 billion spread over six years. 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.

If we wait until the crash

- The Act is meant to be passed before anything fails. Then, when the crash comes, the industry has been paying premiums for years, the chip registry shows who owns what, the important firms have already filed plans for their own conversion, and every lender knew the rules when it made its loans. Nobody can claim the rules were changed on them.
- If Congress waits, none of that exists. So there is a second, complete version of the plan, written for a crash already under way. It rests on the same rule as this one: any firm that needs public money to survive has failed. It just applies that rule to firms that never prepared for it.
- In that version, the whole cost is borrowed from the Treasury up front and repaid by the industry afterward. The FDIC acts as receiver from the first day. The dominant firms barred from buying distressed assets are named in the bill itself, since there is no registry to identify them. The rules take effect the day the bill is introduced, not the day it passes, so nobody can rush a sale through while Congress debates, and sales already made to the giants can be unwound. Failed companies already in bankruptcy court are moved into the new process. And every deposit is guaranteed at once by Act of Congress.
- Waiting costs more. By then data centers will have gone dark, the people who ran them will have scattered, assets will already have been sold off cheap, the lawsuits will be stronger, and the public has to put up all the money. It is still far better than the alternative, which is a rescue written by the people being rescued. That is what the country got in 2008.
- The emergency version is a full bill, not an outline. In 2008 the first draft of the bank rescue was three pages long and amounted to a blank check, and it set the terms for everything that followed. In a crisis, whoever arrives with a finished text wins.

Why it would hold up

- The government cannot seize a technology company just because it dislikes it. A company can be placed in receivership only when it has actually failed, and a court can review the decision within 24 hours. Three events count as failure automatically, with no vote needed: filing for bankruptcy, taking emergency federal money, and missing a payment of $100 million or more once its grace period runs out (30 days at most). Stepping in earlier than that is a judgment call, and no single official can make it. It takes a written recommendation from two-thirds of the FDIC-Tech's board and two-thirds of the Federal Reserve Board, and then a decision by the Treasury Secretary. The bar is high on purpose, so the power cannot be abused and so the courts will uphold it when it is used.
- The Constitution does not allow the government to take property without paying for it, and this plan does not try. Secured lenders receive the value of their collateral, and every creditor receives at least what it would have gotten in an ordinary liquidation. Courts have the final word on what things are worth. Lenders lose the fantasy value of the boom. They do not lose what the law guarantees them.

- The converted technology companies and the largest converted banks are set up as federal public corporations with no shares, like the Tennessee Valley Authority, which has generated public power for generations. Because there are no shares, there is nothing for a later administration to quietly sell off. They can be privatized only by an Act of Congress. The smaller converted banks belong to their depositors, or to a state or city.
- One thing the plan does not promise is that the boards of these institutions are beyond a President's reach. Since the Supreme Court's 2026 ruling in Trump v. Slaughter, Congress may not be able to guarantee that any agency's leaders are protected from being fired. What protects these institutions is what the law fixes in place: their mission, the ban on privatizing them, and ordinary supervision. The plan is written for an administration that wants it to work, and it is honest that no law can fully bind one that does not.
- None of this is new. The precedents are American and familiar: the FDIC's weekend bank resolutions, the conversion of the bankrupt northeastern railroads into Conrail, the Tennessee Valley Authority, and the Bank of North Dakota. The country has done every piece of this before. It has simply never done it instead of a bailout.

The One-Page Summary

The United States is heading into its next financial crisis with the same playbook that failed in the last two. A large share of the economy's growth now depends on an AI investment boom, and the boom is running on borrowed money. The AI companies are spending far more on chips and data centers than AI earns them, and the difference is borrowed: through lightly regulated private credit funds, through shell companies kept off the books, and through loans secured by computer chips that lose value fast. Mainstream banks, pension funds, and insurers have gotten in on it, just as they piled into mortgages before 2008. If the boom ends badly, the damage will not stay inside the technology industry. Banks will fail, including some of the biggest.

When that happens, Washington's instinct will be what it was in 2008 and 2023: rescue the largest players with public money, and sell the failures to even larger ones. Each round leaves fewer, bigger banks and companies, more dependence on them, and less borrowing room for the things the country actually needs to build. The people who made the bets keep their gains. The public pays for the losses.

The Won't Get Fooled Again Act replaces that playbook with one rule: when a bank or a critical technology company fails, it is converted. It is not rescued, and it is not sold to a bigger rival. A failed bank of any size, so long as it is still a functioning bank, reopens as a Public Benefit Bank: the same branches and accounts, but no shareholders. It is limited to the ordinary business of banking, taking deposits and lending to local businesses, housing, and infrastructure. Local and regional banks pass to their own depositors, who elect the board, or to a state or city. The largest become federal public banks and also finance the big national projects and new industries that speculation crowded out. A failed AI lab becomes a public research institute. Failed data centers and cloud providers become a National Research Cloud, a public utility that keeps the services running, sells computing power at regulated prices, and

opens affordable access to universities, startups, nonprofits, governments at every level, and the public. And starting the day the Act takes effect, crash or no crash, a fee on the industry funds a Community Innovation Hub in every congressional district: a free place to work, learn, and start a business, far from Silicon Valley.

The people who financed the bubble bear its cost. Shareholders lose everything. Executives give back their pay. Lenders are paid what their collateral is worth on the day of failure, not the amount they lent against it, and the government never takes on a failed company's debts. Workers, small suppliers, customers, and local governments are paid ahead of the banks and investment funds. Every bank deposit is insured, with the banks paying for the coverage, because a limit on insurance only sends money running to the largest banks whenever there is a scare, and the stampede itself brings smaller banks down. Pensioners exposed to the failed loans are protected directly, not by rescuing the lenders who hold their money.

A crash is not allowed to make the giants bigger. A simple national registry and license for large clusters of AI chips lets the government see who owns the country's computing power. Any company that already controls more than 5% of it is barred from buying distressed chips and data centers. The public has the first option, and the rest goes to smaller competitors. The rules are bright lines with deadlines, run by the same agency that handles the failures, so they do not become a new bureaucracy that says no to everything.

The industries that create the risk pay for the system. A tax on high-end chips and large training runs, premiums from the largest technology companies, and a surcharge on the largest banks fund the conversions. A Treasury credit line, repaid from those same levies, covers the early years, the way the FDIC's fund is backstopped today. The public pays only what tangible assets are worth on the day of failure, and nothing for hype. What comes out the other side is working banks and working data centers, owned by the public or by the banks' own depositors, worth what was paid for them.

The time to pass it is before the crash, but there is a plan for afterward too. Passed in advance, the Act has years of premiums behind it, a registry of who owns what, and lenders who knew the rules when they lent. If Congress waits, a second version of the plan is ready for a crash already under way. It applies the same rule to firms that never expected it: any firm that needs public money to survive has failed, and gets these terms, whoever it asks, including the Federal Reserve. Acting late means borrowing everything up front, working with nothing prepared, unwinding sales that have already happened, and fighting harder lawsuits. It is harder, more painful, and more expensive. It is still better than a third bailout.

The Act is insurance. If no crash comes, the conversions never happen, and what remains is a safer deposit system, a clear picture of who controls the nation's computing power, community hubs across the country, and an industry paying for its own risk. If a crash does come, the country will be ready to turn the wreckage into public infrastructure, as it did when it built the Tennessee Valley Authority, instead of paying once again to put back the system that failed.