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The Won’t Get Fooled Again Act

A Comprehensive Framework for Converting Failed Financial and Artificial Intelligence Institutions into Mission-Driven Public Utilities

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Executive Summary

The United States economy is facing several systemic vulnerabilities that are beginning to converge in a nightmare scenario. As the broader economy slows, America's Gross Domestic Product (GDP) growth is being upheld in large part by massive investments in Artificial Intelligence (AI) technologies.[1] However, the boom in AI investment is itself concerning, as valuations and expectations of future growth become increasingly detached from revenue realities.[2] Many companies are funding their AI investments through complex, esoteric financial vehicles that have become deeply intertwined with the banking and financial system.[3] All of this is occurring alongside a slowing economy, a weakening dollar, and a federal fiscal situation degraded by decades of unproductive borrowing. If the current wave of AI investments is indeed a bubble — as even some business leaders believe — then it has the potential to undermine the entire American economy.[4]

[1]"Economy Statement for the Treasury Borrowing Advisory Committee," U.S. Department of the Treasury, August 3, 2026, https://home.treasury.gov/news/press-releases/sb0585. "Throughout 2025, AI-driven investment (BFI in software, computers and hardware, and data center structures relative to pre-LLM trends) accounted for nearly 30% of GDP growth. This trend continued throughout the first two quarters of 2026." "GDP (Second Estimate) and Corporate Profits, 2nd Quarter 2026," Bureau of Economic Analysis, August 26, 2026, https://www.bea.gov/news/2026/gdp-second-estimate-and-corporate-profits-2nd-quarter-2026. "Real gross domestic product (GDP) increased at an annual rate of 1.5 percent in the second quarter of 2026 (April, May, and June)"

[2]"Financial Stability Report - July 2026," Bank of England, July 7, 2026, https://www.bankofengland.co.uk/financial-stability-report/2026/july-2026. "However, on some metrics, valuations have also become more stretched." "Are US Stock Market Valuations Outpacing Fundamentals?" Goldman Sachs, July 10, 2026, https://www.goldmansachs.com/insights/articles/are-us-stock-market-valuations-outpacing-fundamentals. "Needs increasingly optimistic assumptions."

[3]"Financing the AI infrastructure boom: on- and off-balance sheet borrowing," Bank for International Settlements, March 16, 2026, https://www.bis.org/publications/qr-202603/financing-ai-infrastructure-boom-on-and-off-balance-sheet-borrowing. "Banks support the vehicles with funding lines, potentially creating new shock transmission channels"

[4]"Jeff Bezos says AI is in an industrial bubble but society will get 'gigantic' benefits from the tech," CNBC, October 3, 2025, https://www.cnbc.com/2025/10/03/jeff-bezos-ai-in-an-industrial-bubble-but-society-to-benefit.html. "This is a kind of industrial bubble"

If this bubble does pop and cascade throughout the economy, policymakers will likely fall back on their traditional model of crisis resolution: privatizing gains while socializing losses by bailing out the big banks and corporations. This approach was cemented during the 2008 Global Financial Crisis, when the federal government committed $250 billion to bailing out banks.[5] During the — much more contained — bank failures of 2023, the federal government again improvised a rescue over a weekend — guaranteeing every deposit at Silicon Valley Bank and Signature Bank,[6] and handing First Republic Bank to JPMorgan Chase.[7] Under this dynamic, the federal government has established an implicit promise to corporations and financial institutions that it will use taxpayer dollars to rescue them from the consequences of their own decisions.

The United States cannot afford another bailout. For decades, the United States has squandered its unique fiscal advantage on corporate rescues, wars of choice, and tax cuts that produced no lasting productive capacity. The well is not infinite. The dollar fell nearly 11% in the first half of 2025;[8] demand at some Treasury auctions is softening;[9] and the world's patience with American fiscal irresponsibility is wearing thin. The borrowing capacity we have left must be preserved for genuine public investment — infrastructure, industrial policy, climate adaptation — not for rescuing speculators from the consequences of their bets.

The AI sector is approaching a potential correction. If the bubble bursts, it won't stay contained — any losses will cascade into the banking system, triggering insolvencies and mass layoffs in a self-reinforcing spiral. The need for a new framework for how to deal with these crises has never been more urgent.

This report proposes a new framework for managing future financial crises called the Won't Get Fooled Again Act (WGFAA). The WGFAA is designed to update the mechanisms of financial crisis resolution in two ways.

First, it mandates that failed banks and failed systemically important technology companies be converted into mission-driven institutions with no shareholders rather than bailed out, sold to larger rivals, or liquidated. A firm kept alive with emergency federal support is treated as having failed, so a rescue cannot be used to avoid a conversion. The process of converting failed institutions will be funded by industry levies rather than taxpayer dollars, with a Treasury credit line — repaid from those same levies — to cover the early years before the funds have built up.

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[5] "Capital Purchase Program Overview," U.S. Department of the Treasury, accessed September 28, 2026, https://home.treasury.gov/data/troubled-assets-relief-program/bank-investment-programs/cap/overview. "Treasury initially committed more than a third of the total TARP funding, $250 billion, to the CPP, which was later reduced to $218 billion in March 2009."

[6] "Recent Bank Failures and the Federal Regulatory Response," Federal Deposit Insurance Corporation, March 27, 2023, https://www.fdic.gov/news/speeches/2023/spmar2723.html. "The systemic risk determination enabled the FDIC to extend deposit insurance protection to all of the depositors of SVB and Signature Bank, including uninsured depositors, in winding down the two failed banks."

[7] "JPMorgan Chase Bank, National Association, Columbus, Ohio Assumes All the Deposits of First Republic Bank, San Francisco, California," Federal Deposit Insurance Corporation, May 1, 2023, https://www.fdic.gov/news/press-releases/2023/pr23034.html. "To protect depositors, the FDIC is entering into a purchase and assumption agreement with JPMorgan Chase Bank, National Association, Columbus, Ohio, to assume all of the deposits and substantially all of the assets of First Republic Bank."

[8] George Lei and Carter Johnson, "Dollar Index Slumps 10.8% in Biggest First-Half Loss Since 1973," Bloomberg.com, June 30, 2025, https://web.archive.org/web/20250816060207/https://www.bloomberg.com/news/articles/2025-06-30/dollar-index-slumps-10-8-in-biggest-first-half-loss-since-1973-mcjmj1mo. "The US Dollar Index has fallen about 10.8% year-to-date"

[9] Karen Brettell, "Oil jump sends 30-year yields to two-decade high," Reuters, September 24, 2026, https://www.reuters.com/world/china/global-markets-global-markets-2026-09-24/. "The Treasury Department saw mediocre demand for a $44 billion auction of 7-year Treasury notes on Thursday, following weak interest at Wednesday's $70 billion sale of 5-year debt."

Second, it expands the definition of systemic importance to encompass the flow of computation, data, and intelligence. Just as the collapse of a major bank threatens the credit lifeline of the real economy, the disorderly failure of a major AI provider or compute provider threatens the digital infrastructure upon which national security, economic competitiveness, and public services increasingly rely. We call these institutions "Systemically Important Technology Institutions" (SITIs).

The framework applies separately to banking and technology. Failed banks of every size become community-focused institutions with no shareholders, owned by their depositors, by their state or city, or, for the largest, by the public, modeled on Germany's Sparkassen system[10] and the Bank of North Dakota.[11] Failed AI providers become public research utilities, ensuring that critical computational infrastructure remains operational and that valuable intellectual property doesn't flow to foreign adversaries or domestic monopolists in a fire sale.

Crucially, this proposal rejects purchasing equity at bubble prices. It mandates a strict Asset-Based Valuation Standard for any government acquisition, ensuring taxpayers pay only for tangible infrastructure and proven intellectual property — not speculative goodwill or inflated growth projections. Speculators are wiped out while the public gets lasting assets.

The same discipline applies to lenders. The banks, private credit funds, and bondholders who financed the bubble are paid only what their collateral is actually worth on the day of failure — not what they lent against it. Workers, small suppliers, customers, and local governments are paid ahead of the banks and funds, by statute. Pensioners whose savings were steered into these loans are protected through a separate, industry-funded Pension Protection Facility rather than by bailing out the lenders who hold their money.

Finally, the WGFAA closes the back door through which a crash would otherwise make the largest technology companies even larger. It creates a light federal registry and license for large clusters of advanced AI chips, bars any company that already controls more than 5% of the nation's AI computing capacity from buying distressed chips and data centers, and gives the public the first option to acquire them. And whether or not a crash ever comes, a fee paid by the industry funds Community Innovation Hubs — free places to work, learn, and start a business — in every congressional district in the country.

The WGFAA demonstrates that converting failed institutions into public utilities is not merely an ideological preference but a strategic and fiscal necessity — the only path that prevents further concentration of power, preserves America's borrowing capacity for productive investment, and ensures that the transformative power of AI serves the broad American public.

This document describes the Act as it should be passed: in advance, before anything fails. A companion version, the Emergency Version, sets out how the same plan would work if Congress waits until the crash

[10] "Savings Banks Finance Group," Deutscher Sparkassen- und Giroverband, January 5, 2026, https://www.dsgv.de/en/savings-banks-finance-group.html. "The Savings Banks Finance Group (Sparkassen-Finanzgruppe) is the largest financial group in Germany – decentralized, regionally anchored, and committed to the common good."

[11] "Bank of North Dakota," July 1, 2026, https://bnd.nd.gov/. "BND is the ONLY state-owned bank in the country." "BND Operations," Bank of North Dakota, January 29, 2026, https://bnd.nd.gov/about-bnd/bnd-operations/. "Today, in partnership with a majority of North Dakota's financial institutions, BND fulfills its mission to promote the development of agriculture, commerce and industry in North Dakota."

has already begun. That path is harder, more painful, and more expensive, but it exists. Section 12 lists the differences between the two.

1. Dual Bubbles and the Threat to the American Economy

1.1. Convergence of Financial and Technological Fragility

To understand the necessity of the Won't Get Fooled Again Act, one must first dissect the intricate mechanics of the current economic environment. We are witnessing a symbiotic fragility where the banking sector's health is increasingly predicated on the continued inflation of AI asset values, while the AI sector's liquidity is dependent on a banking system exposed to its high-risk debt.

1.1.1. The AI Valuation Paradox: Capital Expenditure vs. Revenue Reality

The current trajectory of the artificial intelligence sector exhibits the classic hallmarks of a speculative mania, distinct in its capital intensity and reliance on projected rather than realized utility. While the technological promise of generative AI is substantial, the financial valuations of companies in this sector may have detached from fundamental economic metrics, creating a "Capex-Revenue Gap" that threatens to destabilize the broader market.[12]

1.1.2. The "Round-Tripping" Revenue Mirage

A significant portion of the forward revenue of AI companies is arguably artificial, driven by a phenomenon known as "round-tripping" or circular revenue generation.[13] The interconnections are dizzying: OpenAI holds warrants to buy up to a 10% stake in AMD;[14] Nvidia is investing $30 billion in OpenAI;[15] Microsoft is a major shareholder in OpenAI but also a major customer of CoreWeave,[16] in which Nvidia holds a significant equity stake;[17] and Microsoft accounted for almost 20% of Nvidia's revenue in fiscal

[12]International Monetary Fund, "Global Financial Stability Report, April 2026, Chapter 1:"Global Financial Markets Confront the War in the Middle East and Amplification Risks," April 2026, https://www.imf.org/-/media/files/publications/gfsr/2026/april/english/ch1.pdf. "Report inflated revenues, potentially detached from fundamentals" "I. Progress and peril," Bank for International Settlements, June 28, 2026, https://www.bis.org/publications/aer-2026/progress-peril. "These commitments are outpacing earnings and the free cash flow of these firms"

[13]"I. Progress and peril," Bank for International Settlements, June 28, 2026, https://www.bis.org/publications/aer-2026/progress-peril. "The most prominent is circular financing: chip makers and hyperscalers take equity stakes in AI labs or neocloud providers, who in turn commit to multi-year purchases of chips or computing power. … Together, such arrangements account for a sizeable share of sector-wide financing and forward revenue (Graph 13.C)."

[14]"October 6, 2025 - 8-K: Current report," Advanced Micro Devices, October 6, 2025, https://ir.amd.com/financial-information/sec-filings/content/0001193125-25-230895/d28189d8k.htm. "A warrant… to purchase up to an aggregate of 160 million shares… at an exercise price of $0.01 per share." "OpenAI and computer chip manufacturer AMD sign partnership for building AI infrastructure," PBS News, October 6, 2025, https://www.pbs.org/newshour/nation/openai-and-computer-chip-manufacturer-amd-sign-partnership-for-building-ai-infrastructure. "That amounts to about 10% of the chipmaker based on AMD's 1.6 billion outstanding shares."

[15]"Scaling AI for everyone," OpenAI, February 27, 2026, https://openai.com/index/scaling-ai-for-everyone/. "This includes $30B from SoftBank, $30B from NVIDIA, and $50B from Amazon."

[16]"The next chapter of the Microsoft–OpenAI partnership," October 28, 2025, https://openai.com/index/next-chapter-of-microsoft-openai-partnership. "Microsoft holds an investment in OpenAI Group PBC valued at approximately $135 billion, representing roughly 27 percent." "Form 10-K for the Fiscal Year Ended December 31, 2025," CoreWeave, December 31, 2025, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000104/crwv-20251231.htm. "Approximately 67% of our revenue from our top customer, Microsoft, for the year ended December 31, 2025."

[17]"Notice of 2026 Annual Meeting of Stockholders and Proxy Statement," CoreWeave, April 22, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000191/crwv-20260422.htm. "NVIDIA, each beneficial owners of more than 5% of our outstanding capital stock."

2024, by one UBS estimate.[18]

Major cloud providers and tech giants invest billions in AI startups, often with the stipulation that the startup spends that capital on the investor's own cloud computing services.[19] This creates a "trillion-dollar loop" where investment and purchase commitments on one side become "revenue" on the other, inflating sales figures without representing organic end-user demand. The up to $100 billion Nvidia-OpenAI deal proposed in 2025 exemplifies this structure: Nvidia would pump capital into OpenAI to bankroll data centers, and OpenAI would fill those facilities with Nvidia's chips.[20] Nvidia is essentially subsidizing one of its biggest customers, artificially inflating actual demand for AI.

The absurdity of current valuations is captured by recent funding rounds. Thinking Machines, an AI startup helmed by former OpenAI executive Mira Murati, raised the largest seed round in history:[21] $2 billion in funding at a $12 billion valuation, closed in July 2025.[22] The company has refused to tell investors what it is even trying to build.[23] "It was the most absurd pitch meeting," one investor reported. "She was like, 'So we're doing an AI company with the best AI people, but we can't answer any questions.'"[24]

1.1.3. The Divergence of Investment and Return

Further evidence of the AI market's core instability can be found in the widening disparity between capital expenditure and realized revenue. Major technology firms and venture-backed startups are investing hundreds of billions of dollars in NVIDIA GPUs, specialized data centers, and energy infrastructure.[25] AI-related capital expenditures have, by some estimates, surpassed the U.S. consumer as a primary driver of economic growth,[26] adding 1.1 percentage points to GDP growth in the first half of 2025.[27] However, the revenue generation from these investments remains dangerously low.

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[18]Matthew Fox, "A single customer made up 19% of Nvidia's revenue last year. UBS thinks it's Microsoft," Business Insider, May 31, 2024, https://web.archive.org/web/20260302035823/https://www.businessinsider.com/nvidia-stock-mystery-customer-microsoft-ubs-revenue-h100-gpu-chips-2024-5. "It believes Microsoft made up 19% of Nvidia's total revenue in its fiscal year 2024"

[19]Federal Trade Commission, "Partnerships Between Cloud Service Providers and AI Developers," Federal Trade Commission, Office of Technology, January 2025, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf. "The partnerships include cloud commitments that require AI developers to spend a large portion of their CSP partner's investment on cloud services from their partner."

[20]"OpenAI and Nvidia Announce Strategic Partnership to Deploy 10 Gigawatts of Nvidia Systems," September 22, 2025, https://investor.nvidia.com/news/press-release-details/2025/OpenAI-and-NVIDIA-Announce-Strategic-Partnership-to-Deploy-10-Gigawatts-of-NVIDIA-Systems/default.aspx. "NVIDIA intends to invest up to $100 billion in OpenAI progressively as each gigawatt is deployed." Juby Babu, "Nvidia CEO hints at end of investments in OpenAI, Anthropic," Reuters, March 4, 2026, https://web.archive.org/web/20260415034058/https://www.reuters.com/business/nvidia-will-not-be-able-invest-100-billion-openai-due-ipo-ceo-jensen-says-2026-03-04/. "Nvidia has instead finalized a $30 billion investment in OpenAI"

[21]Reuters, "Mira Murati's AI startup Thinking Machines valued at $12 billion in early-stage funding," Yahoo Finance, July 15, 2025, https://ca.finance.yahoo.com/news/mira-muratis-ai-startup-thinking-170344122.html. "Thinking Machines Lab, the artificial intelligence startup founded by former OpenAI executive Mira Murati" Will Knight, "Thinking Machines Lab Raises a Record $2 Billion, Announces Cofounders," WIRED, July 15, 2025, https://www.wired.com/story/thinking-machines-lab-mira-murati-funding/. "Thinking Machines is led by CEO Mira Murati. … It is the largest seed funding round in history."

[22]Maxwell Zeff, "Mira Murati's Thinking Machines Lab is worth $12B in seed round," TechCrunch, July 15, 2025, https://techcrunch.com/2025/07/15/mira-muratis-thinking-machines-lab-is-worth-12b-in-seed-round/. "Officially closed a $2 billion seed round led by Andreessen Horowitz on Monday, a company spokesperson told TechCrunch."

[23]"The $10 Billion Enigma of Mira Murati," The Information, September 26, 2025, https://www.theinformation.com/articles/10-billion-enigma-mira-murati.

[24]Howard Marks, "Is It a Bubble?" Oaktree Capital Management, L.P, accessed September 28, 2026, https://www.oaktreecapital.com/docs/default-source/memos/is-it-a-bubble.pdf. "'It was the most absurd pitch meeting,' one investor who met with Murati said. 'She was like, 'So we're doing an AI company with the best AI people, but we can't answer any questions.'"

[25]Simon Jessop and Iain Withers, "Europe AI data centres seek cheaper, quicker energy and land," Reuters, August 19, 2026, https://www.reuters.com/business/europe-ai-data-centres-seek-cheaper-quicker-energy-land-2026-08-19/. "Will spend $725 billion in 2026, up 77% from $410 billion in 2025, mostly on AI computing and data-centre infrastructure." "Announcing The Stargate Project," OpenAI, January 21, 2025, https://openai.com/index/announcing-the-stargate-project/. "Intends to invest $500 billion over the next four years building new AI infrastructure for OpenAI in the United States."

[26]"Is AI already driving U.S. growth?" J.P. Morgan, September 12, 2025, https://am.jpmorgan.com/wr/en/asset-management/institutional/insights/market-insights/market-updates/on-the-minds-of-investors/is-ai-already-driving-us-growth/.

In the first quarter of 2025 alone, global AI startups raised $74 billion, representing a massive concentration of venture capital into a single sector.[28] Pitchbook reports that nearly two-thirds of U.S. venture deal value went to AI and Machine Learning startups in the first half of 2025, up from roughly a third in 2023.[29] This influx of capital has driven valuations to unsustainable levels, with the median revenue multiple in AI fundraising rounds standing at approximately 30x,[30] and many startups valued at 50x to 100x their revenue.[31]

Despite these massive capital inflows, the profitability remains elusive. OpenAI's ChatGPT, by far the most successful generative AI product to date,[32] requires enormous and expensive computing power to run.[33] In the first half of 2025, OpenAI reported a net loss of $13.5 billion.[34] The flagship product of the AI revolution is bleeding money at a rate of some $27 billion a year.

The continuing investor confidence in the face of these losses suggests that current valuation models are pricing in future popularity and productivity gains of AI tools. However, these gains have been slow to arrive, even in firms that have embraced the new technology. Research from MIT has found that a staggering 95% of organizations attempting to incorporate generative AI into business operations are getting zero measurable return on their investment.[35] The results cast doubt on whether the wide array of corporate AI customers the markets expect will actually materialize.

Furthermore, the sector faces the challenge of diminishing returns on model performance relative to cost. The cost of training frontier models is growing exponentially — GPT-4 reportedly cost roughly $78 million to train,[36] while successors and competitors are expected to cost a billion dollars or more.[37] However, the marginal utility improvements for average users are diminishing, creating a "performance

[27] "Tracking AI's Contribution to GDP Growth," St. Louis Fed, January 12, 2026, https://www.stlouisfed.org/on-the-economy/2026/jan/tracking-ai-contribution-gdp-growth. "1.3 percentage points to real GDP growth in the first quarter of 2025 and 1.16 percentage points to real GDP growth in the second quarter."

[28] "Q1 2025 AI & ML VC Trends," PitchBook, July 9, 2025, https://web.archive.org/web/20250906190928/https://pitchbook.com/news/reports/q1-2025-ai-ml-vc-trends. "AI & machine learning startups raised a record-breaking $73.6 billion across 1,603 deals in Q1 2025"

[29] "Q2 2025 PitchBook-NVCA Venture Monitor," nvca.org, July 2025, https://nvca.org/wp-content/uploads/2025/07/Q2-2025-PitchBook-NVCA-Venture-Monitor-19728.pdf. "The sector represented 64.1% and 35.6% of H1 2025 deal value and count, respectively, highlighting sustained investor conviction." "Q4 2023 PitchBook-NVCA Venture Monitor," nvca.org, January 2024, https://nvca.org/wp-content/uploads/2024/01/Q4-2023-PitchBook-NVCA-Venture-Monitor.pdf. "$1 out of every $3 invested went into AI companies during the year"

[30] Shaheer Ansari, "AI Valuation Multiples in 2026," Aventis Advisors, May 15, 2026, https://aventis-advisors.com/wp-content/uploads/2024/10/AI-Valuation-Multiples-2024.pdf.

[31] Ateev Bhandari and Arasu Kannagi Basil, "Search startup Glean's valuation hits $7.2 billion in AI funding boom," Yahoo Finance, June 10, 2025, https://finance.yahoo.com/news/ai-company-glean-hits-7-152048675.html. "According to Schulman, Glean's 72x valuation multiple on revenue is 'punchy"

[32] "Comscore's Latest AI Intelligence Report Shows Competition Intensifying as Claude and Gemini Gain Ground on ChatGPT," September 22, 2026, https://ir.comscore.com/news-releases/news-release-details/comscores-latest-ai-intelligence-report-shows-competition. "ChatGPT remains the clear category leader"

[33] Reuters, "OpenAI expects compute spend of around $600 billion through 2030, source says," February 20, 2026, https://www.reuters.com/technology/openai-sees-compute-spend-around-600-billion-by-2030-cnbc-reports-2026-02-20/. "The expenses associated with running its AI models, referred to as inference, increased fourfold in 2025"

[34] Reuters, "Wall Street reacts to Microsoft and OpenAI's new deal," October 28, 2025, https://www.reuters.com/business/view-wall-street-reacts-microsoft-openais-new-deal-2025-10-28/. "OpenAI generated $4.3 billion in revenue but also reported a significant net loss of $13.5 billion."

[35] Aditya Challapally et al., "The GenAI Divide: State of AI in Business 2025," MIT NANDA, July 2025, https://storage.ghost.io/c/44/95/449506ca-034e-480f-9725-fcde08ef1cc1/content/files/2025/09/The-GenAI-Divide-STATE-OF-AI-IN-BUSINESS-2025.pdf. "95% of organizations are getting zero return."

[36] "Research and Development," The 2024 AI Index Report, 2024, https://hai.stanford.edu/ai-index/2024-ai-index-report/research-and-development. "OpenAI's GPT-4 used an estimated $78 million worth of compute to train"

[37] Ben Cottier, "How much does it cost to train frontier AI models?" Epoch AI, June 3, 2024, https://epoch.ai/publications/how-much-does-it-cost-to-train-frontier-ai-models. "The cost of training frontier AI models has grown by a factor of 2 to 3x per year for the past eight years ... If the trend of growing training costs continues, the largest training runs will cost more than a billion dollars by 2027"

plateau." Users are not willing to pay exponentially higher prices for incrementally better chatbots, yet the infrastructure costs to serve them continue to rise.

An increasing number of market experts have begun warning of the growing instability and uncertain future of the AI sector. Bain & Co.'s annual global technology report says the AI industry will need $2 trillion in new annual revenue by 2030 to continue at its current rate.[38] Analyzing similar data, a recent Deutsche Bank report to clients declared such levels of investment as "highly unlikely."[39] Echoing these concerns, a Bank of England report from October warns that the market could experience a "sharp correction" due to overvaluation.[40]

1.1.4. The Hardware Choke and Inventory Glut

One significant factor driving up both AI computing costs and company valuations is the scarcity of computer chips.[41] NVIDIA's market capitalization exceeded $5 trillion on 29 October 2025,[42] rising higher than the GDP of every country except the US and China.[43] A significant percentage of its data center revenue is tied to a small handful of hyperscalers and AI cloud providers.[44] As discussed above, this concentration risk is exacerbated by vendor financing, where chip manufacturers or cloud providers invest in the very startups that are buying their chips, creating a circular revenue model that inflates reported sales without generating net new economic value.

These tactics create significant potential for an inventory glut. As companies race to build GPU clusters to avoid being left behind, they risk creating massive overcapacity. If the demand for AI services does not match the massive supply of compute coming online, the rental price of GPUs could crash. In addition to being dire for giants like NVIDIA, this would destroy the business models of "compute-as-a-service" startups, as their projected margins rely in part on continued scarcity pricing of chips.

1.2. The Banking Sector's "Hidden" Exposure

The risks and inherent instability discussed above are all the more troubling because of the ways our entire financial system is becoming increasingly entwined with the fate of the AI market. The banking

[38] "$2 trillion in new revenue needed to fund AI's scaling trend," Bain, September 23, 2025, https://www.bain.com/about/media-center/press-releases/20252/$2-trillion-in-new-revenue-needed-to-fund-ais-scaling-trend—bain–companys-6th-annual-global-technology-report/. "$2 trillion in new revenue needed to fund AI's scaling trend"

[39] Jim Edwards, "The AI boom is unsustainable unless tech spending goes 'parabolic,' Deutsche Bank warns: 'This is highly unlikely'," Fortune, September 23, 2025, https://web.archive.org/web/20260728033118/https://fortune.com/2025/09/23/ai-boom-unsustainable-tech-spending-parabolic-deutsche-bank. "Capital investment needs to remain parabolic. This is highly unlikely."

[40] "Financial Policy Committee Record – October 2025," Bank of England, October 8, 2025, https://www.bankofengland.co.uk/financial-policy-committee-record/2025/october-2025. "The risk of a sharp market correction has increased. … On a number of measures, equity market valuations appear stretched, particularly for technology companies focused on Artificial Intelligence (AI)."

[41] "Why the memory chip crunch is greater than expected, and may not ease until 2029," Deloitte Insights, accessed September 28, 2026, https://www.deloitte.com/us/en/insights/industry/technology/why-memory-chip-crunch-is-greater-than-expected.html. "Costs for AI server dynamic random-access memory (DRAM) roughly doubled during the first quarter of 2026" "American AI Companies Can't Get Enough Chips," Center for a New American Security, September 28, 2026, https://www.cnas.org/publications/reports/american-ai-companies-cant-get-enough-chips. "AI chip production has become a binding constraint on the pace of the AI compute buildout."

[42] Niket Nishant and Rashika Singh, "Nvidia hits $5 trillion valuation as AI boom powers meteoric rise," Reuters, October 29, 2025, https://web.archive.org/web/20251130061643/https://www.reuters.com/business/nvidia-poised-record-5-trillion-market-valuation-2025-10-29/. "Shares of the Santa Clara, California-based company ended Wednesday's session up 3% at $207.04, giving it a stock market value of $5.03 trillion."

[43] "Nvidia becomes world's first $5tn company," BBC, October 29, 2025, https://www.bbc.com/news/articles/cp8e970vn5vo. "Nvidia's value now exceeds the GDP of every country except the US and China, according to data from the World Bank, and is higher than entire sectors of the S&P 500."

[44] "Form 10-Q for the Quarterly Period Ended July 26, 2026," NVIDIA Corporation, July 26, 2026, https://www.sec.gov/Archives/edgar/data/1045810/000104581026000075/nvda-20260726.htm. "For the first half of fiscal year 2027, three direct customers represented 16%, 15%, and 13% of total revenue, all of which was primarily attributable to the Compute & Networking segment."

sector's exposure to the risks of the AI bubble is multifaceted and opaque, extending far beyond direct commercial loans. It includes exposure to the "shadow banking" system, complex off-balance-sheet arrangements that echo the financial engineering of past crises, and venture debt.

1.2.1. The Shadow Banking Transmission Mechanism

A growing share of the lending to risky AI ventures has gone to the "shadow banking" or private credit sector,[45] which by some estimates is now worth $3.5 trillion in assets.[46] Unlike traditional banks, which use customer deposits to back their loans, private credit firms raise the capital for their loans from private investors such as pensions, wealth funds, or high-net-worth individuals. Free of the regulations imposed on traditional banks after the 2008 financial crisis, these companies are able to provide higher-risk loans to companies, including large corporations.[47] In theory, private investors bear the losses if these loans default, insulating the wider economy from the kind of market volatility that can kick off a financial crisis. But the reality is more interconnected. Traditional banks lend heavily to these private credit funds, creating a chain of exposure that is difficult to quantify but carries grave risks for the American public.[48]

If AI startups begin to default on their private credit obligations — a likely scenario given high "burn rates" and lack of profitability — the losses will flow back to the balance sheets of the major banks that provide leverage to private credit funds.

Recent failures in the private credit market outside the technology sector, such as the collapse of Tricolor Holdings, have already revealed the opacity and weak underwriting standards that characterize this sector.[49] Tricolor, which both sold used cars and provided subprime auto loans to borrowers with poor or no credit, declared bankruptcy in September 2025.[50] Despite being a private credit institution, the collapse led to substantial losses for their lenders in the traditional banking sector, such as JP Morgan Chase and Fifth Third Bank.[51] In response, JPMorgan CEO Jamie Dimon has warned that more "cockroaches"

[45] Inaki Aldasoro, Sebastian Doerr and Daniel Rees, "Financing the AI boom: from cash flows to debt," BIS Bulletin, January 7, 2026, https://www.bis.org/publications/bulletin-120-financing-ai-boom-cash-flows-debt.pdf. "Outstanding loan amounts have increased from near zero to over $200 billion today (Graph 3.A, grey bars)."

[46] AIMA, "Press Release: Strong growth sees private credit market reach US$3.5 trillion," aima.org, December 9, 2025, https://www.aima.org/article/press-release-strong-growth-sees-private-credit-market-reach-us-3-5-trillion.html. "New industry research from the Alternative Credit Council (ACC), the private credit affiliate of the Alternative Investment Management Association (AIMA), finds that the global private credit market has reached US$3.5 trillion assets under management (AUM)."

[47] Ahmet Degerli and Phillip Monin, "Private Credit Growth and Monetary Policy Transmission," Federal Reserve, February 8, 2024, https://www.federalreserve.gov/econres/notes/feds-notes/private-credit-growth-and-monetary-policy-transmission-20240802.html. "Following the GFC, the regulatory framework in the U.S. and supervisory guidance such as the 2013 Interagency Guidance on Leveraged Lending made bank lending to certain types of businesses more capital-intensive and subject to scrutiny by supervisors." International Monetary Fund, "Global Financial Stability Report, April 2024, Chapter 2: "The Rise and Risks of Private Credit," April 16, 2024," April 2024, https://www.imf.org/-/media/files/publications/gfsr/2024/april/english/ch2.pdf. "As a result, private credit firms in the United States and Europe can now provide loans to much larger corporate borrowers that would previously fund themselves through broadly syndicated loans or even corporate bonds."

[48] "Financial Stability Oversight Council 2025 Annual Report," December 11, 2025, https://home.treasury.gov/system/files/261/FSOC2025AnnualReport.pdf. "While the exact amount of bank lending to private credit is unknown, new data suggest that banks' total loan commitments to private credit funds are approximately $445 billion as of the second quarter of 2025."

[49] European Central Bank, "Stress in global private credit markets and its implications for euro area financial stability," May 26, 2026, https://www.ecb.europa.eu/press/financial-stability-publications/fsr/special/html/ecb.fsrart202605_04~3f2135af91.en.html. "Since autumn 2025, several defaults linked to private credit markets – including First Brands, an auto parts manufacturer, and Tricolor, a subprime auto lender – have illustrated how weak underwriting standards and opacity can transmit losses across parts of the financial industry."

[50] "CEO, CFO, COO Charged In Connection With Billion-Dollar Collapse Of Tricolor Auto," justice.gov, December 17, 2025, https://www.justice.gov/usao-sdny/pr/ceo-cfo-coo-charged-connection-billion-dollar-collapse-tricolor-auto. "A subprime auto retailer and financing company … Tricolor filed for Chapter 7 bankruptcy on September 10, 2025."

[51] Jonathan Stempel, "JPMorgan, Barclays, Fifth Third defeat lawsuit over missed 'red flags' at Tricolor," Reuters, June 10, 2026, https://www.reuters.com/legal/government/jpmorgan-barclays-fifth-third-defeat-lawsuit-over-missed-red-flags-tricolor-2026-06-10/. "All three banks have reported nine-figure losses from Tricolor."

will likely emerge.[52] The contagion risk is significant: if collective wisdom determines that private credit dynamics pose a systemic threat, a self-fulfilling liquidity crisis could ensue, freezing credit markets exactly as they did in 2008.

1.2.2. Cooking the Books

Adding to the alarm is the notable off-balance-sheet financial engineering at the largest AI companies. Major technology firms are using complex accounting structures to obscure the true scale of their AI infrastructure bets.[53] In one representative deal, Blue Owl Capital joined a $27 billion joint venture to build a data center.[54] Meta's lease payments and a 16-year residual value guarantee stand behind the debt, yet the $27 billion bond, raised in October 2025 by the Meta–Blue Owl joint venture (Beignet Investor LLC) rather than borrowed by Meta, never shows up on Meta's balance sheet.[55] If the AI bubble bursts and the data center goes dark, Meta could be on the hook for a multi-billion-dollar payment. Some analysts have flagged the structure of the deal as misleading, as it effectively conceals massive debts and allows Meta to project a false image of financial health.[56] The financial maneuvering implies a deep fragility beneath the surface of big AI, casting doubt on whether the industry's explosive growth is supported by actual economic reality.

1.2.3. Venture Debt and the Collateral Crisis

Even the more straightforward financing structures carry grave risks for the wider economy. AI startups have increasingly turned to venture debt. AI startups took nearly one in four venture debt dollars in 2024, and their share climbed past a third in the first half of 2025.[57] This debt is often secured not by cash flows (which are minimal), but by the assets of the company — for AI infrastructure startups especially, their high-value GPU hardware.[58]

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[52] N773921, "3Q25 Earnings Transcript," JPMorganChase, October 14, 2025, https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2025/3rd-quarter/jpm-3q25-earnings-call-transcript.pdf. "But I – my antenna goes up when things like that happen. And I probably shouldn't say this, but when you see one cockroach, there are probably more."

[53] "Financing the AI infrastructure boom: on- and off-balance sheet borrowing," Bank for International Settlements, March 16, 2026, https://www.bis.org/publications/qr-202603/financing-ai-infrastructure-boom-on-and-off-balance-sheet-borrowing. "Economically, this substitutes upfront capex with multi-year operating expenses while keeping most of the associated debt off the hyperscaler's balance sheet." "Moody's: Hyperscalers understating risks of short-term AI DC lease agreements, leaving investors in the dark," DataCenterDynamics, accessed September 28, 2026, https://www.datacenterdynamics.com/en/news/moodys-hyperscalers-understating-risks-of-short-term-ai-dc-lease-agreements-leaving-investors-in-the-dark. "Official disclosures 'fail to show the full scale of long-term economic risk."

[54] "Meta Announces Joint Venture With Funds Managed by Blue Owl Capital to Develop Hyperion Data Center," Meta Newsroom, October 21, 2025, https://about.fb.com/news/2025/10/meta-blue-owl-capital-develop-hyperion-data-center/. "The parties have committed to fund their respective pro rata share of the approximately $27 billion in total development costs"

[55] "Meta Announces Joint Venture with Funds Managed by Blue Owl Capital to Develop Hyperion Data Center," October 21, 2025, https://investor.atmeta.com/investor-news/press-release-details/2025/Meta-Announces-Joint-Venture-with-Funds-Managed-by-Blue-Owl-Capital-to-Develop-Hyperion-Data-Center/default.aspx. "Meta also provided the joint venture with a residual value guarantee for the first 16 years of operations" "Beignet Investor LLC's $27.3 Billion Senior Secur," S&P Global, October 16, 2025, https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101651795. "Meta will provide a parent guaranty that will guarantee its rent obligations and payment obligations under the RVG mechanism."

[56] Prasad Gollakota, "The Meta/Blue Owl deal broken down: off-balance-sheet gymnastics 24 years after Enron," ifre.com, January 6, 2026, https://www.ifre.com/people-and-markets/2363199/opinion-the-metablue-owl-deal-broken-down-off-balance-sheet-gymnastics-24-years-after-enron. "A corporate-scale version of the same accounting mirage."

[57] "AI startups gobbling more than a third of venture debt dollars this year," PitchBook, July 1, 2025, https://web.archive.org/web/20260901173552/https://pitchbook.com/news/articles/ai-startups-gobbling-more-than-third-venture-debt-dollars-2025. "Last year AI startups ate up nearly 1 in 4 venture debt dollars, or 24.9%—$22.9 billion … Receiving 38.4% of the $30 billion total in US and European value so far this year"

[58] "Venture Debt: How it Works," svb.com, December 11, 2023, https://www.svb.com/startup-insights/venture-debt/how-does-venture-debt-work/. "Venture debt is typically secured by the business pledging its assets as collateral to the lender" Krystal Hu, "CoreWeave raises $2.3 billion in debt collateralized by Nvidia chips," Reuters, August 3, 2023, https://web.archive.org/web/20231122235021/https://www.reuters.com/technology/coreweave-raises-23-billion-debt-collateralized-by-nvidia-chips-2023-08-03/. "CoreWeave has raised $2.3 billion in a debt facility … collateralized by Nvidia chips"

This creates a dangerous collateral vulnerability. In a market crash, the value of these GPUs — much of the collateral backing billions in loans — would plummet due to the aforementioned inventory glut. Banks and debt funds would find themselves holding depreciating hardware assets rather than recoverable capital. The liquidation of these assets to recover losses would further depress hardware prices, triggering a deflationary spiral in the tech hardware market that could make additional firms holding similar collateral insolvent.

1.2.4. Data Center Finance and Energy Exposure

Even if investor dollars continue to flow, many experts warn that energy needs will likely constrain the sector's growth.[59] The physical infrastructure of AI — hyperscale data centers — is often financed through complex project finance structures involving large syndicates of banks.[60] Massive loans for projects like Oracle's "Stargate" involve dozens of financial institutions.[61]

However, the energy bottleneck threatens the viability of these projects. The immense power requirements of data centers are colliding with grid limitations, leading to utility rate hikes and in some cases the cancellation of other energy projects to feed AI demand.[62] Major cloud computing providers like Oracle, despite elite clientele and billions in contracts, are struggling to secure the energy infrastructure they need to complete major projects.[63]

Physical power shortages or consumer backlash could force the abandonment of half-finished infrastructure projects. A data center that cannot get a power connection is a distressed asset with zero revenue potential. Banks holding the construction loans for these stranded assets would face significant write-downs, mirroring the commercial real estate crisis but focused on digital infrastructure.

Communities are beginning to resist. In Prince William County, Virginia, more than a hundred owners of rural land and homes contracted to sell to data center developers,[64] and their neighbors went to court

[59] "Executive summary – Key Questions on Energy and AI – Analysis," IEA, July 10, 2026, https://www.iea.org/reports/key-questions-on-energy-and-ai/executive-summary. "Bottlenecks across the value chain, however, are reducing the likelihood of more aggressive near-term scenarios, despite booming investment and surging project pipelines."

[60] "Banks Lend $18 Billion for Oracle-Tied Data Center in New Mexico," bloomberglaw.com, November 7, 2025, https://news.bloomberglaw.com/artificial-intelligence/banks-lend-18-billion-for-oracle-tied-data-center-in-new-mexico. "A group of about 20 banks is providing a roughly $18 billion project finance loan" "Banks meeting data center demand with billions in credit facilities, bonds," S&P Global Market Intelligence, 27/02/2026, https://www.spglobal.com/market-intelligence/en/news-insights/research/2026/02/banks-meeting-data-center-demand-with-billions-in-credit-facilities-bonds. "One bank is not typically on the hook, however, as the loans are often divvied up via syndication."

[61] Matt Wirz, "Three AI megadeals are breaking new ground on Wall Street," The Wall Street Journal (via MSN), November 11, 2025, https://www.msn.com/en-us/money/companies/three-ai-megadeals-are-breaking-new-ground-on-wall-street/ar-AA1QeN90. "The Jacquard 'syndicate' includes more than 30 institutions"

[62] "Beyond the Bottleneck: New Report Identifies Solutions for Accelerating Large Load Connections," Lawrence Berkeley National Laboratory, June 11, 2026, https://datacenters.lbl.gov/news/beyond-bottleneck-new-report-identifies-solutions-accelerating-large-load-connections. "Rapid growth in demand from data centers and other large loads … leading to bottlenecks that have slowed connection of large loads to the electric grid." Monitoring Analytics, "Powering Reliability Through Market Design," Monitoring Analytics (Independent Market Monitor for PJM), August 31, 2026, https://www.monitoringanalytics.com/reports/presentations/2026/IMM_PRTMDWS_Powering_Reliability_through_Market_Design_20260831.pdf. "Data center load growth is the primary reason for recent and expected capacity market conditions"

[63] "Form 10-K for the Fiscal Year Ended May 31, 2026," Oracle Corporation, May 31, 2026, https://www.sec.gov/Archives/edgar/data/1341439/000119312526277521/orcl-20260531.htm. "We have faced, and may continue to face, challenges with securing reliable and cost-effective power sources for our data center energy demands" "Oracle Announces Q1 Results Driven by Triple Digit Growth in Cloud Infrastructure Revenues," oracle.com, September 10, 2026, https://investor.oracle.com/investor-news/news-details/2026/Oracle-Announces-Q1-Results-Driven-by-Triple-Digit-Growth-in-Cloud-Infrastructure-Revenues/default.aspx. "Oracle booked more than $30 billion of additional AI cloud contracts in Q1 increasing its RPO to $664 billion."

[64] "Prince William County's massive 'Digital Gateway' data center development nears a vote," Prince William Times, accessed September 28, 2026, https://www.princewilliamtimes.com/news/prince-william-countys-massive-digital-gateway-data-center-development-nears-a-vote/article_79823248-7463-57ca-a3b6-a65b7d69af35.html. "More than 100 landowners are under contract to sell their homes and farms to Compass and QTS if the rezoning is approved"

to stop the project.[65] This is the beginning of a NIMBY phenomenon that could further delay or halt infrastructure build-out.

1.2.5. Who Is Lending, Who Is Paying, and What Backs It All

No single source publishes a clean map of the money behind the build-out, and any account of it has to be assembled from company filings, deal announcements, and analyst estimates. What follows is New Consensus's best reading of that evidence. The figures are indicative, not audited.

Who is lending. Morgan Stanley's estimate is that of the roughly $1.5 trillion the build-out must raise from outside investors through 2028, about half will come from private credit funds and asset-based lenders, something over a tenth from investment grade technology corporate bond issuance, a tenth from securitizations of data center properties and leases, and the rest from a mix of equity, sovereign funds, and banks.[66] Banks show up less as direct lenders than as the lenders to the lenders. American banks had about $1.3 trillion of loans outstanding to non-bank financial firms as of the third quarter of 2025,[67] with an estimated nearly $1 trillion more committed but undrawn as of early 2025,[68] and the Federal Reserve counts $2.6 trillion in bank credit commitments to such firms in the fourth quarter of 2025.[69] Only a fraction of that is to private credit funds — the Fed's own count of large banks' credit lines to private credit vehicles is around $95 billion — but that is precisely the channel through which a private credit loss reaches a bank.[70] Behind the funds stand the ultimate investors: pension funds, life insurers, sovereign wealth funds, endowments, and wealthy individuals. Insurers alone held some $277 billion of collateralized loan obligations, measured at book/adjusted carrying value, at the end of 2024, 82% of it at life insurers.[71]

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[65] "Group files suit over Prince William Digital Gateway data center project," The Washington Post, January 12, 2024, https://web.archive.org/web/20250515065906/https://www.washingtonpost.com/dc-md-va/2024/01/12/prince-william-digital-gateway-lawsuit-virginia-data-centers/. "A group of Prince William County residents filed a lawsuit Friday that seeks to nullify the county board's vote"

[66] Vishwas Patkar et al., "Bridging a $1.5tr Data Center Financing Gap," Morgan Stanley Research, July 16, 2025, https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/Research_Bridging-Data-Center-Gap.pdf. "We see a $1.5tr financing gap that needs to be met by external capital … We project a ~$800bn growth opportunity for private credit through 2028 … We forecast ~$200bn incremental investment-grade technology bond supply through 2028. … Project $150bn of DC ABS/CMBS issuance through 2028" "AI Market Trends 2026: Global Investment, Risks, and Buildout," Morgan Stanley, March 9, 2026, https://www.morganstanley.com/insights/articles/ai-market-trends-institute-2026. "$350bn Other Capital (Primarily PE, VC, Sovereign)"

[67] FDIC, "Bank Lending to Nondepository Financial Institutions," Federal Deposit Insurance Corporation, February 2026, https://www.fdic.gov/analysis/bank-lending-nondepository-financial-institutions.pdf. "In third quarter 2025, banks held $1.32 trillion in loans to NDFIs."

[68] "U.S. Bank Lending to Non-Banks Continues to Outpace All Other Types," Fitch, May 15, 2025, https://www.fitchratings.com/research/non-bank-financial-institutions/us-bank-lending-to-non-banks-continues-to-outpace-all-other-types-15-05-2025. "This NBFI lending category, which also includes an estimated additional $1 trillion in commitments"

[69] "3. Leverage in the Financial Sector," Board of Governors of the Federal Reserve System, May 28, 2026, https://www.federalreserve.gov/publications/2026-may-financial-stability-report-leverage.htm. "Bank credit commitments to other financial entities grew appreciably in the fourth quarter of 2025 to $2.6 trillion"

[70] Jose Berrospide et al., "Bank Lending to Private Credit: Size, Characteristics, and Financial Stability Implications," Federal Reserve, May 23, 2025, https://www.federalreserve.gov/econres/notes/feds-notes/bank-lending-to-private-credit-size-characteristics-and-financial-stability-implications-20250523.html. "Based on Y-14 data, committed credit lines by the largest U.S. banks to private credit vehicles (PD funds and BDCs) have increased significantly over the past five years (about 145 percent, equivalently to an annualized growth rate of about 19.5 percent), reaching about $95 billion as of 2024-Q4."

[71] Anderson and Susan, "U.S. Insurers' CLO Exposure at Year-End 2024," NAIC Capital Markets Bureau, accessed September 28, 2026, https://content.naic.org/sites/default/files/capital-markets-special-report-clo-ye2024.pdf. "At year-end 2024, U.S. insurers' investment in CLOs collateralized by broadly syndicated loans (BSLs) and middle market () loans totaled $276.8 billion in book/adjusted carrying value (BACV), representing a 2% increase from $271.1 billion at year-end 2023. … That is, life insurers held 82% of total CLO investments, representing a slight increase from 80% at year-end 2023."

[72] "Prospectus Supplement (To Prospectus Dated April 30, 2026)," Meta Platforms, May 2026, https://www.sec.gov/Archives/edgar/data/1326801/000119312526201738/d109954d424b2.htm. "The notes are our senior unsecured obligations, ranking equally with our other senior unsecured indebtedness. The notes are not secured by any of our assets."

What backs the loans. Bonds issued by the largest technology companies are unsecured,[72] and they do not need to be: those companies fund most of their spending from profits.[73] Nearly everything else is secured by something. Loans to the GPU-rental companies are often secured by the chips, by the customer contracts, and by the shell companies that hold both.[74] Data center loans are secured by the land and buildings and by the tenant's lease. Securitizations are secured by pools of leases and equipment. One tracker counts about $58 billion issued across 36 deals secured directly by GPUs, a measure of issuance rather than outstanding balances.[75] The practical consequence is that in a crash the lenders who matter are secured lenders, and the question is not whether they hold collateral but what it will be worth.

Who is ultimately paying. The collateral behind many of the biggest loans includes a customer's promise to pay for computing over several years. Whether that promise is worth anything depends on who made it. A contract with a profitable giant such as Microsoft or Meta holds its value so long as service continues. A contract with an AI laboratory holds its value only so long as the laboratory can keep raising money, because none of them is yet reliably profitable.[76] No public source we found gives the split, but the reported contracts suggest a rough picture. On the side of the giants: Meta's commitments to CoreWeave (about $35 billion contracted) and to Nebius (up to about $27 billion over five years, announced in March 2026),[77] and Microsoft's contracts with CoreWeave and Nebius.[78] On the side of the laboratories: OpenAI's roughly $300 billion contract with Oracle, covering roughly five years starting in 2027,[79] and Bank of America estimates OpenAI accounts for more than half[80] of the $638 billion backlog Oracle reported for

[73]Jorn Veeneman, "Hyperscalers: Now also a credit story," J.P. Morgan, August 20, 2026, https://am.jpmorgan.com/wr/en/asset-management/institutional/insights/market-insights/market-updates/on-the-minds-of-investors/hyperscaler-debt-issuance-ai-buildout/. "The first phase was largely funded by the hyperscalers' operating cash flow, but the scale of spending now requires a broader mix of funding sources."

[74]"Form 10-Q for the Quarterly Period Ended June 30, 2026," CoreWeave, June 30, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000170962826000366/crwv-20260630.htm. "These delayed draw term loan facilities are collateralized with the assets underlying the contributed contracts and the pledged contractual cash flows" "Form 8-K," CoreWeave, March 30, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000170962826000129/crwv-20260330.htm. "All obligations under the DDTL 4.0 Facility are secured by substantially all assets of CCAC VIII and its subsidiaries and a pledge of 100% of the equity interests in CCAC VIII held by CCAC VIII Holdco LLC."

[75]"Compute Credit Tracker," CCIR, September 26, 2026, https://ccir.io/credit. "GPU-backed credit. $58B across 36 deals is secured directly by the GPUs: the issuance charted below."

[76]"OpenAI's Second-Quarter Sales Show Tepid Growth Compared ...," archive.ph, August 20, 2026, https://archive.ph/qGG7c. "The company's operating loss, which includes stock-based compensation, widened from $9.3 billion in the first quarter to $12.3 billion in the second quarter." "Anthropic Revenue Surges to Over $11.5 Billion in Second Quarter," Bloomberg.com, August 14, 2026, https://www.bloomberg.com/news/articles/2026-08-14/anthropic-revenue-ahead-of-ipo-surges-over-14-fold-in-second-quarter. "The second quarter of 2026 saw Anthropic report positive adjusted operating income, according to the documents."

[77]"securities and exchange commission," Nebius Group, March 16, 2026, https://www.sec.gov/Archives/edgar/data/1513845/000110465926027886/tm268879d1_6k.htm. "The Agreement and the initial Orders thereunder have a total contract value of up to approximately $27 billion."

[78]"Form 10-K for the Fiscal Year Ended December 31, 2025," CoreWeave, December 31, 2025, https://www.sec.gov/Archives/edgar/data/1769628/000170962826000104/crwv-20251231.htm. "Similarly, in September 2025, we entered into an order form under an existing master services agreement pursuant to which Meta Platforms, Inc. ('Meta') initially committed to pay us up to approximately $14.2 billion through December 2031 ... We recognized an aggregate of approximately 67% of our revenue from our top customer, Microsoft, for the year ended December 31, 2025." "Form 8-K, Current Report — Date of Report (Date of earliest event reported): March 31, 2026," CoreWeave, March 31, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000170962826000154/crwv-20260331.htm. "Subject to any termination described below and satisfaction of delivery and availability of service requirements, Meta has initially committed to pay the Company approximately $21 billion" "FORM 6-K," Nebius Group, September 8, 2025, https://www.sec.gov/Archives/edgar/data/1513845/000110465925088312/tm2525580d1_6k.htm. "The total contract value is about $17.4 billion through 2031. Microsoft may also acquire additional services and/or capacity under the Agreement, which would increase the total contract value to about $19.4 billion."

[79]Berber Jin, "Oracle, OpenAI Sign $300 Billion Cloud Deal," The Wall Street Journal, September 10, 2025, https://web.archive.org/web/20260927052018/https://www.wsj.com/business/openai-oracle-sign-300-billion-computing-deal-among-biggest-in-history-ff27c8fe. "OpenAI signed a contract with Oracle ... to purchase $300 billion in computing power over roughly five years, people familiar with the matter said" "OpenAI's spending spree is powering the tech industry. Oracle is the latest winner," CNBC, September 13, 2025, https://www.cnbc.com/2025/09/13/openai-spending-spree-powering-much-of-tech-oracle-latest-example.html. "CNBC confirmed a Wall Street Journal report ... starting in 2027."

[80]"Oracle beats on earnings, but stock drops on plans to raise another $20 billion," CNBC, June 10, 2026, https://www.cnbc.com/2026/06/10/oracle-orcl-q4-earnings-report-2026.html. "Bank of America analysts, who recommend buying Oracle shares, said over 50% of the remaining performance obligation comes from OpenAI."

May 31, 2026;[81] OpenAI's commitments to CoreWeave;[82] Anthropic's reported $35 billion arrangement with Lambda[83] and 20-year lease with TeraWulf, expected to generate ~$19 billion of contracted revenue for TeraWulf over the initial lease term;[84] and the data centers being built for Oracle to serve OpenAI.[85] Tallied that way, something like two-thirds of the contracted dollars behind the specialist providers rest on a laboratory's ability to pay, and one-third on a giant's — and the laboratory-backed share appears concentrated in a handful of firms, which are the ones most likely to fail. The chips themselves are concentrated too. By one independent estimate, five American technology giants — Amazon, Google, Meta, Microsoft, and Oracle — owned 71% of the world's AI computing capacity at the end of 2025, up from 63% in early 2024,[86] with Google alone holding about a quarter of it, most of that in chips of its own design.[87] We found no comparable count for the United States alone, or for who operates the chips as opposed to who owns them — which is one reason the Act creates a registry (Section 5.4). The picture is complicated by the fact that Microsoft reportedly rents capacity partly to serve OpenAI,[88] so that if OpenAI stopped paying, Microsoft would still owe its providers and would take the loss itself; and by reports that Google stands behind some of Anthropic's leases.[89] The estimate could easily be off by a good deal. What it shows is where the weight sits.

1.3. System-Wide Risks to the Financial System

As discussed above, these warning signs are all the more troubling because of the central role AI is playing in fueling the growth of the US economy.[90] In keeping with the consolidated nature of the tech industry, compute is dominated by three major cloud providers (Amazon, Microsoft, Google), which together hold

[81] "Oracle Announces Record Q4 and FY 2026 Results Driven by Cloud Infrastructure & Cloud Applications," oracle.com, June 10, 2026, https://www.oracle.com/news/announcement/q4fy26-earnings-release-2026-06-10/. "Remaining Performance Obligations, or RPO, ended the quarter at $638 billion"

[82] "Current Report on Form 8-K," CoreWeave, September 25, 2025, https://www.sec.gov/Archives/edgar/data/1769628/000119312525216497/d17274d8k.htm. "OpenAI has committed to pay the Company up to approximately $6.5 billion through May 31, 2031."

[83] Chandni Shah and Natalia Bueno Rebolledo, "Anthropic signs $35 billion cloud deal with Nvidia-backed Lambda, source says," Yahoo Finance, August 31, 2026, https://ca.finance.yahoo.com/news/anthropic-signs-35-billion-cloud-005022618.html. "Anthropic has signed a cloud-computing deal worth $35 billion with Lambda … a source familiar with the matter said"

[84] "TeraWulf Announces Anthropic Lease at Justified Data Campus and Sale of Majority Interest in Abernathy Joint Venture to Fluidstack," July 6, 2026, https://investors.terawulf.com/news-events/press-releases/detail/142/terawulf-announces-anthropic-lease-at-justified-data-campus-and-sale-of-majority-interest-in-abernathy-joint-venture-to-fluidstack. "The lease is expected to generate approximately $19 billion of contracted revenue over the initial lease term."

[85] "Oracle is Set to Power on New Data Center in Michigan," oracle.com, December 18, 2025, https://www.oracle.com/news/announcement/blog/oracle-is-set-to-power-on-new-data-center-in-michigan-2025-1018/. "As the future tenant, Oracle will operate the data center once it's delivered and provisioned, outfitting it with the latest technology for our customer, OpenAI."

[86] Luke Emberson, "Five hyperscalers now own over two-thirds of global AI compute," Epoch AI, April 14, 2026, https://epoch.ai/data-insights/hyperscalers-control-most-compute. "Amazon, Google, Meta, Microsoft, and Oracle collectively hold an estimated 71% of the world's cumulative AI compute as of Q4 2025, measured in H100-equivalents of computing power. This is up from 63% in Q1 2024."

[87] Luke Emberson, "Google controls the most AI computing power, driven by its custom TPUs," Epoch AI, April 7, 2026, https://epoch.ai/data-insights/google-custom-tpus-ai-compute. "We estimate Google is the largest single owner of AI compute, holding about one quarter of global cumulative capacity as of Q4 2025. … Notably among hyperscalers, Google's compute comes primarily from its own custom TPU chips rather than NVIDIA's GPUs."

[88] "OpenAI pulls back from Stargate Norway data center deal as Microsoft takes over," CNBC, April 15, 2026, https://www.cnbc.com/2026/04/15/openai-stargate-norway-project-microsoft.html. "OpenAI is now in discussions to rent capacity from Microsoft instead, a spokesperson for the company told CNBC."

[89] Reuters, "Banks in talks to lend $15 billion for Anthropic data center backed by Google, WSJ reports," Yahoo Finance, July 30, 2026, https://finance.yahoo.com/technology/ai/articles/banks-talks-lend-15-billion-182522516.html. "The guarantees cover four data-center leases signed by Anthropic and related power-purchase agreements for electricity from an on-site plant"

[90] "Economy Statement for the Treasury Borrowing Advisory Committee," U.S. Department of the Treasury, August 3, 2026, https://home.treasury.gov/news/press-releases/sb0585. "Investment in artificial intelligence has been a significant driver of economic growth in recent quarters. Throughout 2025, AI-driven investment (BFI in software, computers and hardware, and data center structures relative to pre-LLM trends) accounted for nearly 30% of GDP growth."

57% of worldwide hyperscale capacity, and a handful of foundational model developers.[91] This creates "single-point-of-failure" risks for the entire economy, including the financial system itself.

Financial institutions increasingly rely on AI for critical operations: fraud detection, credit underwriting, algorithmic trading, customer service, and risk modeling.[92] A failure, bankruptcy, or service disruption of a major AI provider could paralyze banking operations, creating a direct channel for contagion from the tech sector to the financial sector.

Furthermore, the equity concentration of the "Magnificent Seven" tech company stocks (Apple, Microsoft, Amazon, Alphabet, Meta, Nvidia, and Tesla) in pension funds and institutional portfolios means that a bursting of the AI bubble would cause a massive negative wealth effect.[93] In 2026, 30% of the S&P 500 was held by five companies[94] — among the highest concentrations in decades.[95] AI-related enterprises accounted for roughly 75% of gains in the S&P 500 since ChatGPT launched in late 2022.[96] A crash would erode the capital base of the financial system and damage consumer confidence, potentially triggering a recession that would cycle back to cause defaults on traditional bank loans. This is not diversification; it is concentration risk masquerading as a market rally.

1.4. The Labor Displacement Accelerant

The looming bursting of the AI bubble will not end AI-driven labor displacement — it will accelerate it. This counterintuitive dynamic creates a vicious cycle that compounds the economic damage of a financial correction.

The current wave of AI-enabled layoffs is already staggering. In October 2025 alone, according to Challenger, Gray & Christmas, employers announced 153,074 job cuts — the highest October total in 22 years and the highest single month in the fourth quarter since 2008.[97] Announced job cuts through November

[91] Synergy Research Group, "US Rises Again as Synergy Updates Its Ranking of Hyperscale Data Center Locations," August 19, 2026, https://www.srgresearch.com/articles/us-rises-again-as-synergy-updates-its-ranking-of-hyperscale-data-center-locations. "In aggregate, the three now account for 57% of all hyperscale data center capacity."

[92] DSB, "Sound Practices for Financial Institutions' Responsible AI Adoption: Consultation Report," Financial Stability Board, June 10, 2026, https://www.fsb.org/uploads/P100626.pdf. "Financial institutions are increasingly adopting, using, and innovating with AI (hereafter AI adoption) for a variety of purposes, including credit risk assessment, trading, portfolio optimisation, fraud prevention, transaction monitoring, customer service, coding assistance, as well as document summarisation and review." "Report on the Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector," U.S. Department of the Treasury, December 2024, https://home.treasury.gov/system/files/136/Artificial-Intelligence-in-Financial-Services.pdf. "Respondents noted a long-standing history of financial firms using AI – such as algorithms or machine learning – for external- and internal-facing operations, including credit underwriting, trading and investment, risk management, regulatory compliance, customer service, and back-office operations."

[93] European Central Bank, "The AI boom: rational enthusiasm or the next dot-com bubble?" August 17, 2026, https://www.ecb.europa.eu/press/blog/date/2026/html/ecb.blog20260817~754a8a4418.en.html. "Insurance companies and pension funds also hold significant exposures to the Mag7."

[94] "Is your core US equity allocation ready for what's next?" capitalgroup.com, September 9, 2026, https://www.capitalgroup.com/institutions/global-consultants/en/insights/articles/is-your-core-us-equity-allocation-ready-for-whats-next.html. "The five largest constituents account for 30% of the S&P 500 index."

[95] Carol McGinn, "The Quarterly Statement Q2 2024: Seven Magnificent Charts of Concerning Historic Concentration in U.S. Large Cap Passive Indices," Glenmede, July 17, 2024, https://www.glenmedeim.com/news-and-insights/q2-2024-statement-seven-magnificent-charts-of-concerning-historic-concentration-in-us-large-cap-passive-indices. "The top five components by weight … reached a record accounting for 28.6% at Q2 2024, surpassing the 1964 record of 27.7%." "In the Shadows of Giants - Research," S&P Global, May 13, 2026, https://www.spglobal.com/spdji/en/research/article/in-the-shadows-of-giants/. "The 10 largest companies in the S&P 500® represented almost 40% of the index by mid-2025, a level of concentration not seen since the mid-1960s."

[96] "Abandon Ship!" J.P. Morgan, April 13, 2026, https://privatebank.jpmorgan.com/nam/en/insights/latest-and-featured/eotm/abandon-ship. "These 42 companies in the S&P 500 have accounted for 75% to 85% of the price returns, earnings growth, CapEx, and R&D growth in the entire S&P 500."

[97] Colleen Madden Blumenfeld, "October Challenger Report: 153,074 Job Cuts on Cost-Cutting & AI," Challenger, Gray & Christmas, November 6, 2025, https://www.challengergray.com/blog/october-challenger-report-153074-job-cuts-on-cost-cutting-ai/. "U.S.-based employers

2025 had surpassed 1.1 million, the most since the pandemic.[98] Technology and warehousing were the hardest hit, with tech companies announcing 33,281 job cuts in October (nearly six times September's figure) and warehousing companies announcing 47,878 cuts (up from 984 in September, an increase of about 4,770%).[99]

According to the World Economic Forum's 2025 Future of Jobs report, 41% of employers worldwide intend to reduce their workforce in the next five years due to AI driven skills obsolescence.[100] Anthropic CEO Dario Amodei has predicted that generative AI could wipe out up to half of entry-level white-collar jobs in the next one to five years.[101] Klarna has shrunk its headcount by nearly half since 2022, in part because of AI.[102] Salesforce cut 4,000 customer support roles,[103] stating that AI handles about half of customer conversations.[104] Duolingo has said it will gradually stop using contractors for work that AI can handle.[105]

Here is the critical dynamic: during the current boom, companies have not tried very hard to realize AI productivity gains. Flush with cheap capital and optimistic projections, firms have been content to experiment with AI while maintaining existing headcount.

A financial crash changes this calculus entirely. Under severe cost pressure, companies will finally do the hard work of restructuring operations around AI capabilities. They will discover productivity gains that seemed elusive during the boom — not because the technology has improved, but because desperation focuses the mind. The layoffs we have seen so far are a preview; a crash would trigger a tsunami.

This creates a doom loop:

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announced 153,074 job cuts in October … October's total is the highest for the month since October 2003, when 171,874 cuts were recorded … The highest total for a single month in the fourth quarter since 2008"

[98] Colleen Madden Blumenfeld, "Challenger Report: 71,321 Job Cuts on Restructurings, Closings, Economy," Challenger, Gray & Christmas, December 4, 2025, https://www.challengergray.com/blog/challenger-report-71321-job-cuts-on-restructurings-closings-economy/. "Through November, employers have announced 1,170,821 job cuts"

[99] "Challenger Report — October 2025," Challenger, Gray & Christmas, November 6, 2025, https://www.challengergray.com/wp-content/uploads/2025/11/Challenger-Report-October-2025.pdf. "Warehousing led all industries in October cuts, announcing 47,878 job cuts, up from 984 in September. … In October, the sector announced 33,281 job cuts, up sharply from 5,639 in September." "Job cuts in October hit highest level for the month in 22 years, Challenger says," CNBC, November 6, 2025, https://www.cnbc.com/2025/11/06/job-cuts-in-october-hit-highest-level-for-the-month-in-22-years-challenger-says.html. "Companies in the technology sector announced 33,281 cuts, nearly six times the level in September."

[100] "The Future of Jobs Report 2025," World Economic Forum, January 7, 2025, https://www.weforum.org/publications/the-future-of-jobs-report-2025/in-full/4-workforce-strategies/. "A significant share (41%) also expect to downsize their workforce as AI capabilities to replicate roles expand."

[101] Jim VandeHei and Mike Allen, "Behind the Curtain: Top AI CEO foresees white-collar bloodbath," Axios, May 28, 2025, https://www.axios.com/2025/05/28/ai-jobs-white-collar-unemployment-anthropic. "AI could wipe out half of all entry-level white-collar jobs — and spike unemployment to 10-20% in the next one to five years"

[102] "Annual Report," Klarna Group, 2025, https://www.sec.gov/Archives/edgar/data/2003292/000162828026038366/annualreport2025.htm. "Revenue per employee reached $1.24 million, up 3.6 times since 2022, while headcount is down 49%, with compensation per employee simultaneously increasing." "Klarna Group plc - 20-F," December 31, 2025, https://mms.businesswire.com/media/20260226134670/en/2732885/1/Klarna_Group_plc_-_20-F_2025.pdf. "The reduction in the number of full-time employees resulted from our strategic decision to reduce our overall headcount and drive operational efficiency by leveraging AI in our business and focusing on what really matters to our mission."

[103] Emma Burleigh, "Salesforce CEO Marc Benioff says his company has cut 4,000 customer service jobs as AI steps in: 'I need less heads'," Fortune, September 2, 2025, https://web.archive.org/web/20260917211547/https://fortune.com/2025/09/02/salesforce-ceo-billionaire-marc-benioff-ai-agents-jobs-layoffs-customer-service-sales/. "I've reduced it from 9,000 heads to about 5,000, because I need less heads"

[104] Aidin Vaziri, "Salesforce CEO Marc Benioff says AI has already replaced 4,000 jobs," San Francisco Chronicle, September 2, 2025, https://www.sfchronicle.com/tech/article/salesforce-ai-job-cuts-benioff-21025920.php. "Now, half of all conversations with customers are conducted by AI systems, with humans handling the rest."

[105] Aisha Malik, "Duolingo launches 148 courses created with AI after sharing plans to replace contractors with AI," TechCrunch, April 30, 2025, https://techcrunch.com/2025/04/30/duolingo-launches-148-courses-created-with-ai-after-sharing-plans-to-replace-contractors-with-ai/. "On Monday, von Ahn told staff in an email that the company was shifting to AI and that it would 'gradually stop using contractors to do work that AI can handle."

AI bubble bursts ⟶ asset values collapse, credit tightens ⟶ Companies face cost pressure ⟶ aggressively implement AI to cut headcount ⟶ Mass layoffs ⟶ consumer spending falls, demand destruction ⟶ Recession deepens ⟶ more companies face cost pressure ⟶ Return to step 2

2. The Fiscal Constraint

2.1. Preserving America's Borrowing Capacity

The Won't Get Fooled Again Act is not merely good policy; it is fiscal necessity. America's ability to borrow — the foundation of its economic flexibility and geopolitical power — is increasingly at risk from decades of unproductive spending.[106] We cannot afford another multi-trillion-dollar bailout, and attempting one could trigger a crisis of confidence in the dollar itself.

2.1.1. The True Cost of "Free" Bailouts

For decades, a bipartisan consensus has held that large-scale government borrowing is justified when invested in productive capacity. This view, associated with economists in the Keynesian tradition, correctly recognizes that a sovereign nation issuing debt in its own currency faces different constraints than a household or business. When borrowed funds flow into infrastructure, education, research, and industry, they generate returns that exceed the cost of servicing the debt.

The tragedy of American fiscal policy is that we have borrowed like believers in public investment while spending like opponents of it.

Between fiscal 2000 and fiscal 2024, the United States added approximately $30 trillion to its national debt.[107] What do we have to show for it?

$4-8 trillion on the post-9/11 wars, including Iraq and Afghanistan[108] that destabilized the Middle East, created ISIS,[109] and produced no lasting strategic benefit. About $1.5 trillion in tax cuts over FY2018–FY2027 (2017 Tax Cuts and Jobs Act)[110] that primarily benefited corporations and the wealthy,[111] with no clearly demonstrated increase in productive investment.[112] $500 billion in direct bailout costs from the

[106] "The Budget and Economic Outlook: 2026 to 2036," Congressional Budget Office, February 11, 2026, https://www.cbo.gov/publication/62105. "The risk of a fiscal crisis—that is, a situation in which investors lose confidence in the value of the U.S. government's debt—would increase."

[107] "Monthly Statement of the Public Debt of the United States," treasurydirect.gov, September 30, 2000, https://www.treasurydirect.gov/ftp/opd/opdm092000.pdf. "Total Public Debt Outstanding … 5,674,178" U.S. Government Accountability Office, "U.S. GAO," November 7, 2024, https://www.gao.gov/products/gao-25-107138. "As of September 30, 2024, the federal debt was $35.5 trillion."

[108] "U.S. Federal Budget," Costs of War, May 18, 2026, https://costsofwar.watson.brown.edu/costs/economic/us-federal-budget. "From late 2001 through fiscal year 2022, the U.S. appropriated and is obligated to spend an estimated $8 trillion for the post-9/11 wars"

[109] "The Islamic State," Council on Foreign Relations, November 15, 2007, https://www.cfr.org/backgrounders/islamic-state. "The group traces its lineage to the aftermath of the U.S. invasion of Iraq in 2003" "Instability in Iraq," Global Conflict Tracker, December 9, 2015, https://www.cfr.org/global-conflict-tracker/conflict/political-instability-iraq. "Since the U.S.-led invasion in 2003, Iraq has undergone a long period of instability"

[110] Jane G. Gravelle, "Tax Cuts and Jobs Act (H.R. 1): Conference Agreement," Congressional Research Service, December 19, 2017, https://www.congress.gov/crs_external_products/IF/PDF/IF10792/IF10792.2.pdf. "10-year revenue loss from FY2018 to FY2027 of $1.456 trillion."

[111] "The Economic Effects of the 2017 Tax Revision: Preliminary Observations," Congressional Research Service, June 7, 2019, https://www.everycrsreport.com/reports/R45736.html. "Most of the tax cut benefited corporations"

[112] "Economic Effects of the Tax Cuts and Jobs Act," Congress.gov, April 7, 2025, https://www.congress.gov/crs-product/R48485. "As a whole, they do not demonstrate significant effects of the TCJA on the economy."

2008 financial crisis,[113] plus over $1 trillion outstanding in peak Federal Reserve emergency lending.[114] Vast sums in improvised guarantees during the 2023 banking turmoil — coverage for which no bank had ever paid a premium, extended over a weekend.[115] Ongoing annual deficits reaching 5.8% of GDP in the CBO FY2026 baseline and projected to rise, with no plan for productive deployment.[116]

What we did not build:

- A modern passenger rail network (China built 31,317 miles of high-speed rail;[117] we built zero miles of dedicated high-speed line).[118]
- A resilient electrical grid capable of supporting clean energy and advanced manufacturing.
- Universal high-speed broadband connecting rural and urban America.
- Domestic leading-edge semiconductor capacity at scale (until the recent, inadequate CHIPS Act).
- Public AI research infrastructure ensuring American competitiveness for decades.
- Affordable housing at scale addressing the affordability crisis.

Instead, we have been drawing down our most valuable national asset — the world's trust in American debt — to finance empty consumption, crisis management, and the socialization of private losses.

2.1.2. The Dollar's Eroding Foundation

While this bipartisan consensus still largely controls Washington, the economic warning signs are now impossible to ignore.

The dollar index fell 10.8% in the first half of 2025[119] — the worst first half since 1973.[120] Over the year as a whole it was down nearly 10% against a basket of major currencies.[121] The euro rose 13% against the

[113]Deborah Lucas, "Measuring the Cost of Bailouts," Annual Review of Financial Economics, December 2019, https://www.annualreviews.org/docserver/fulltext/financial/11/1/annurev-financial-110217-022532.pdf?accname=guest&checksum=65DEED4F65828D957EACD99219FB33FA&expires=1778273023&id=id. "The total direct cost of the 2008 crisis-related bailouts in the United States was on the order of $500 billion."

[114]U.S. Government Accountability Office, "U.S. GAO," July 21, 2011, https://www.gao.gov/products/gao-11-696. "Loans outstanding for the emergency programs peaked at more than $1 trillion in late 2008."

[115]"Joint Statement by Treasury, Federal Reserve, and FDIC," Board of Governors of the Federal Reserve System, March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm. "Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13."

[116]"Director's Statement on the Budget and Economic Outlook for 2026 to 2036," Congressional Budget Office, February 11, 2026, https://www.cbo.gov/publication/62050. "The deficit for fiscal year 2026 is projected to be $1.9 trillion, equal to 5.8 percent of gross domestic product (GDP), which is about the same in relation to the size of the economy as the 2025 deficit."

[117]"China's railway mileage tops 165,000 km," www.gov.cn, January 4, 2026, https://english.www.gov.cn/archive/statistics/202601/04/content_WS6959fd54c6d00ca5f9a0863e.html. "During the 2021-2025 period, China's operating high-speed railway mileage increased by 32.98 percent from 37,900 km to 50,400 km."

[118]"High-Speed Train Noise Emission Standards," U.S. Department of Transportation, accessed September 27, 2026, https://www.transportation.gov/sites/dot.gov/files/2026-07/FRA%20NPRM%20HSR%20Noise.pdf. "There are no high-speed rail operations between 160 mph and 220 mph in the U.S." State of California, "NEWS Release: California Approves Team to Build Nation's First True High-Speed Rail Track and Systems," California High Speed Rail, June 1, 2026, https://hsr.ca.gov/2026/06/01/news-release-california-approves-team-to-build-nations-first-true-high-speed-rail-track-and-systems. "Nation's first true high-speed rail system"

[119]"Dollar Index Slumps 10.8% in Biggest First-Half Loss Since 1973," Bloomberg, June 30, 2025, https://web.archive.org/web/20250816060207/https://www.bloomberg.com/news/articles/2025-06-30/dollar-index-slumps-10-8-in-biggest-first-half-loss-since-1973-mcjmj1mo. "The US Dollar Index has fallen about 10.8% year-to-date, compared with a 14.8% slump in the first half of 1973."

[120]"US dollar has worst first half in more than 50 years amid Trump tariffs," The Guardian, June 30, 2025, https://www.theguardian.com/business/2025/jun/30/us-dollar-first-half-trump-tariffs. "That is its worst performance over the first six months of any year since 1973, and the worst half-year since the second half of 1991."

[121]"Form 20-F for the Fiscal Year Ended December 31, 2025," UBS Group, 2025, https://www.ubs.com/global/en/investor-relations/financial-information/sec-filings/_jcr_content/root/contentarea/mainpar/toplevelgrid/col_1/tabteaser/tabteasersplit_2037369950/innergrid_2025441247/col_1/linklist/link_667226045_copy__685371726.0137500452.file/PS9jb250ZW50L2RhbS9hc3NldHMvY2MvaW52ZXN0b3ItcmVsYXRpb25zL3F1YXJ0ZXJsaWVzLzIwMjUvNHEyNS8yMGYtYW5udWFsLXJlcG9ydC11YnMtZ3JvdXAtMjAyNS5wZGY%3D/20f-annual-report-ubs-group-2025.pdf. "The US dollar index (DXY), which tracks the US dollar against six major peer currencies, decreased by 9.4%, its worst year since 2017."

dollar in 2025 as investors focused on growth risks inside the United States.[122]

Interest payments on federal debt now exceed the entire defense budget,[123] and are projected to rise to about 26% of federal revenue.[124] The Congressional Budget Office projects that interest costs reach $1 trillion annually in 2026.[125] It's a spending trend that has persisted over several different presidential administrations,[126] leading Harvard economist Kenneth Rogoff to recently remark, "both parties in the United States seem to think that debt is a free lunch."[127]

Foreign demand for Treasuries — once insatiable — is softening.[128] The share of U.S. debt held by the public owned by foreigners has fallen from about half to around a third today.[129] Central banks worried about devaluation of their dollar assets are buying gold at a historically rapid pace.[130] Moody's stripped the U.S. government of its top credit rating in 2025.[131]

As a Chatham House analysis concluded: "If the international monetary system cannot rely on the dollar's full convertibility, or its availability in a crisis, it is entering unknown territory."[132]

This is not an argument for austerity. It is an argument for prioritization. America still possesses the capacity to borrow for productive investment — but only if we stop squandering that capacity on preventable crises and speculator rescues.

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[122]European Central Bank, "Annual Report 2025," May 4, 2026, https://www.ecb.europa.eu/press/annual-reports-financial-statements/annual/html/ecb.ar2025~b7f898b33d.en.html. "The euro appreciated in nominal effective terms by 6.8% and against the US dollar by 13.1% compared with end-2024." European Commission et al., "European Economic Forecast. Autumn 2025," europa.eu, November 2025, https://economy-finance.ec.europa.eu/document/download/34538512-fff6-451a-8bbc-4c8d60e4d132_en?filename=ip327_en.pdf. "Growth expectations contribute to the dollar's weakening"

[123]U.S. Government Accountability Office, "GAO-26-108073, Financial Audit: FY 2025 and FY 2024 Consolidated Financial Statements of the U.S. Government," March 19, 2026, https://www.gao.gov/assets/gao-26-108073.pdf. "In fiscal year 2025, net interest spending of $970 billion (primarily interest on debt held by the public) was more than budget outlays for national defense."

[124]"The Budget and Economic Outlook: 2026 to 2036," Congressional Budget Office, 2026, https://www.cbo.gov/publication/62105. "Such outlays increase from 3.3 percent of GDP in 2026 … to 4.6 percent in 2036."

[125]"Director's Statement on the Budget and Economic Outlook for 2026 to 2036," Congressional Budget Office, February 11, 2026, https://www.cbo.gov/publication/62050. "Net outlays for interest go from $1.0 trillion in 2026 to $2.1 trillion in 2036, rising from 3.3 percent of GDP to 4.6 percent."

[126]U.S. Government Accountability Office, "GAO-25-107714, THE Nations's Fiscal Health: Strategy Needed as Debt Levels Accelerate, Annual Report to Congress, February 2025," February 2025, https://www.gao.gov/assets/gao-25-107714.pdf. "In fiscal year 2024, federal spending on net interest (primarily interest on debt held by the public) was $881.7 billion, 3.1 percent of GDP. The government's annual spending on net interest has more than tripled since 2017, when it was $262.6 billion."

[127]"What's next for the US dollar? Economists discuss at Davos," World Economic Forum, January 23, 2025, https://www.weforum.org/stories/financial-and-monetary-systems/us-dollar-will-be-indispensable-until-not/. "Both parties in the United States seem to think that debt is a free lunch."

[128]Jamie McGeever, "Commentary: Plunging private foreign demand could fan US bond rout flames," Reuters, August 18, 2026, https://www.reuters.com/commentary/reuters-open-interest/plunging-private-foreign-demand-could-fan-us-bond-rout-flames-mcgeever-2026-08-18/. "In the 12 months through June, net purchases of Treasuries by private foreign investors declined by more than 40% from the same period last year to $329 billion."

[129]"The Federal Government Has Borrowed Trillions. Who Owns All that Debt?" Peterson Foundation, September 19, 2026, https://www.pgpf.org/article/the-federal-government-has-borrowed-trillions-but-who-owns-all-that-debt/. "Foreign holdings were 49 percent of DHBP in 2011 but have since declined to 32 percent of DHBP in 2025."

[130]European Central Bank, "The international role of the euro, June 2026," June 2, 2026, https://www.ecb.europa.eu/press/other-publications/ire/html/ecb.ire202606.en.html. "Central bank gold purchases decreased to around 850 tonnes in 2025, down from over 1,000 tonnes annually between 2022 and 2024" Istvan Mak and Etienne Vaccaro-Grange, "Gold in Central Bank Reserves: Strategic Considerations, Market Risks, and Practical Guidance; IMF Note No. 26/07; July 2026," International Monetary Fund, July 2026, https://www.imf.org/-/media/files/publications/imf-notes/2026/english/insea2026007.pdf. "Gold provides a partial hedge against US dollar depreciation"

[131]"2025 United States Sovereign Rating Action," Moody's Ratings, May 16, 2025, https://www.moodys.com/web/en/us/about-us/usrating.html. "Has downgraded the Government of United States of America's (US) long-term issuer and senior unsecured ratings to Aa1 from Aaa"

[132]"The US dollar's role in the international monetary system is now dangerously in flux," Chatham House, April 16, 2025, https://www.chathamhouse.org/2025/04/us-dollars-role-international-monetary-system-now-dangerously-flux. "If the international monetary system cannot rely on the dollar's full convertibility, or its availability in a crisis, it is entering unknown territory."

2.1.3. The WGFAA as Fiscal Insurance

The Won't Get Fooled Again Act is designed to ensure that the next financial crisis — which the convergence of AI speculation and banking fragility makes nearly inevitable — does not require another multi-trillion-dollar emergency intervention.

Unlike previous crisis responses:

The WGFAA is pre-funded by the industries creating the risk. The Digital Stability Fund and the Public Bank Capitalization Fund, financed by compute taxes and G-SIB surcharges, ensure that resolution costs are borne by speculators, not taxpayers. The financial sector pays for bank resolutions; the tech sector pays for AI company resolutions. This is not a tax on productive activity; it is an insurance premium on speculation.

The WGFAA converts crisis into asset. Rather than pouring public money into a hole to restore the status quo ante — leaving us with the same fragile system that produced the crisis — the conversion protocol transforms failed institutions into permanent public infrastructure. Banks that serve communities rather than shareholders. Research institutes that advance safety rather than quarterly earnings. Compute utilities that democratize access rather than concentrate power.

The WGFAA preserves fiscal space for genuine public investment. Every dollar we don't spend bailing out AI speculation is a dollar available for grid modernization, semiconductor independence, climate adaptation, housing, healthcare, and the public services that build shared prosperity. We cannot afford to do both; we must choose.

The choice before us is not between intervention and non-intervention. A crisis is coming; some form of public response will be necessary. The choice is between:

- An intervention that costs the public everything and returns nothing — trillions in bailout funds flowing to speculators, the same fragile system restored, our borrowing capacity further depleted.
- An intervention that costs the public nothing and returns lasting assets — industry-funded resolutions that convert failed speculation into permanent public infrastructure.

We argue for the second approach, and the WGFAA is the guide.

3. The Failure of the Status Quo

3.1. Why "No Bailout" Is a Myth

The response to the banking turmoil of 2023 has created a dangerous moral hazard that must be addressed before the next crisis strikes. The rhetoric of market discipline has been exposed as hollow; the reality is a system that protects the connected while concentrating risk in ever-larger institutions.

3.1.1. The Hollow Rhetoric of 2023

The failures of Silicon Valley Bank, Signature Bank, and First Republic Bank in 2023 exposed the

emptiness of the "no bailout" rhetoric espoused by political leaders.[133] Officially, deposit insurance stops at $250,000 per depositor, per insured bank, per ownership category.[134] In practice, when Silicon Valley Bank failed — with some 94% of its deposits at the end of 2022 above that limit[135] — regulators guaranteed every dollar over a weekend.[136]

The problem was not that depositors were protected. It was how. The guarantee was improvised, it was not paid for in advance — no bank had ever paid a premium for that coverage — and it was discretionary.[137] Nobody knows whether the next failed bank's depositors will receive the same treatment. That uncertainty is not neutral. Everyone understands that the government will never let depositors at JPMorgan Chase or Bank of America lose money, whatever the law says. Depositors at every other bank have to guess.

The result is a system that rescues the megabanks by accident. The moment a mid-size bank wobbles, large depositors everywhere move their money to the handful of banks they believe are too big to fail. In the week ended March 15, 2023, just after Silicon Valley Bank failed, about $120 billion in deposits left the country's smaller banks, by the Fed's initial estimate (later revised to about $196 billion),[138] while the 25 largest banks gained about $67 billion.[139] A panic that ought to test every bank's soundness instead hands the biggest banks a flood of cheap funding, whatever the condition of their own balance sheets, and drains the smaller banks that compete with them. A megabank that ought to fail can be kept alive by everyone else's fear. A sound community bank can be killed by it.

This is not capitalism; it is a system of privatized gains and socialized losses in which the implicit guarantee is handed out by size. It corrodes both economic efficiency and democratic legitimacy, and — as the next section shows — it feeds directly into consolidation.

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[133] "Transcript: Treasury Secretary Janet Yellen on," CBS News, March 12, 2023, https://www.cbsnews.com/news/janet-yellen-face-the-nation-transcript-03-12-2023/. "During the financial crisis, there were investors and owners of systemic large banks that were bailed out, and we're certainly not looking. And the reforms that have been put in place means that we're not going to do that again." The White House, "Remarks by President Biden on Maintaining a Resilient Banking System and Protecting our Historic Economic Recovery," March 13, 2023, https://bidenwhitehouse.archives.gov/briefing-room/speeches-remarks/2023/03/13/remarks-by-president-biden-on-maintaining-a-resilient-banking-system-and-protecting-our-historic-economic-recovery/. "No losses will be borne by the taxpayers. Instead, the money will come from the fees that banks pay into the Deposit Insurance Fund."

[134] "Your Insured Deposits," Federal Deposit Insurance Corporation, May 14, 2024, https://www.fdic.gov/resources/deposit-insurance/brochures/insured-deposits. "The standard maximum deposit insurance amount is $250,000 per depositor, per insured bank, for each account ownership category."

[135] "Evolution of Silicon Valley Bank," Federal Reserve, May 18, 2023, https://www.federalreserve.gov/publications/2023-April-SVB-Evolution-of-Silicon-Valley-Bank.htm. "As of year-end 2022, approximately 94 percent of SVBFG's total deposits were uninsured."

[136] "Joint Statement by Treasury, Federal Reserve, and FDIC," Board of Governors of the Federal Reserve System, March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm. "Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13."

[137] "FDIC Acts to Protect All Depositors of the former Silicon Valley Bank, Santa Clara, California," Federal Deposit Insurance Corporation, March 13, 2023, https://www.fdic.gov/news/press-releases/2023/pr23019.html. "The transfer of all the deposits was completed under the systemic risk exception approved yesterday. All depositors of the institution will be made whole." "FDIC Board of Directors Issues a Final Rule on Special Assessment Pursuant to Systemic Risk Determination," Federal Deposit Insurance Corporation, November 16, 2023, https://www.fdic.gov/news/press-releases/2023/pr23092.html. "Under the final rule, the FDIC will collect the special assessment at an annual rate of 13.4 basis points beginning with the first quarterly assessment period of 2024 (i.e., January 1 through March 31, 2024) with an invoice payment date of June 28, 2024"

[138] "Assets and Liabilities of Commercial Banks in the United States (H.8)," Federal Reserve, March 31, 2023, https://www.federalreserve.gov/releases/h8/20230331/. "Data for the week ending March 15, 2023, have been revised to represent a change in the way FDIC bridge banks were incorporated in the small bank data." In the revised Table 8 (small domestically chartered banks, seasonally adjusted), deposits fell from $5,576.9 billion in the week ending March 8 to $5,380.5 billion in the week ending March 15, a drop of $196.4 billion.

[139] Reuters, "Small U.S. banks see record drop in deposits after SVB collapse," March 24, 2023, https://web.archive.org/web/20230705230245/https://www.reuters.com/markets/us/us-large-bank-deposits-rose-week-after-svb-collapse-fed-data-2023-03-24/. "Deposits at small banks fell $119 billion to $5.46 trillion in the week ended March 15."

3.1.2. The Consolidation Trap

The current resolution regime for failed banks exacerbates the "Too Big to Fail" problem rather than solving it. The FDIC's standard operating procedure is to sell the assets of a failed bank to a healthy institution.[140] The bulk of First Republic Bank's assets were sold to JPMorgan Chase, already the largest bank in the United States.[141]

This approach creates a paradox: to solve a temporary liquidity crisis, regulators permanently increase the concentration of the banking sector. Crises tend to leave us with fewer, larger banks — institutions that are even more "too big to fail" than their predecessors. This reduces competition, increases systemic risk posed by the surviving mega-banks, and leaves communities with fewer options for credit and financial services.

As the banking sector consolidates, it becomes less responsive to local economic needs and more focused on global capital markets and speculative activities. The community bank that once financed the local hardware store can be absorbed into a behemoth more interested in derivatives trading than small business lending.

The WGFAA breaks this cycle. By converting failed banks into public benefit institutions rather than selling them to competitors, we preserve competition, maintain local credit access, and stop feeding the consolidation machine.

3.1.3. The Inadequacy of Bankruptcy for AI

Just as our current financial regulations have only compounded issues like consolidation and reckless speculation, applying traditional bankruptcy procedures to failed AI companies presents unique risks that current laws are ill-equipped to handle.

IP Flight and National Security Risks: In a standard bankruptcy liquidation, assets are sold to the highest bidder. For a failed AI provider, key assets are the "model weights" — the numerical parameters that define the AI's intelligence. If these weights are sold on the open market to satisfy creditors, they could be acquired by foreign adversaries or non-state actors, posing severe national security risks. A Chinese tech giant or a sovereign wealth fund could acquire capabilities that will cost billions to develop by 2027 for pennies on the dollar in a fire sale.

Spreading Sensitive Data: In addition to the underlying technology, many AI companies have access to vast amounts of personal information on their users, with some LLMs now specifically trained for healthcare and financial advice.[142] In the event of a company failure, this intimate data could be auctioned

[140] "Transparency & Accountability - Resolutions & Failed Banks," Federal Deposit Insurance Corporation, July 22, 2025, https://www.fdic.gov/about/transparency-accountability-resolutions-failed-banks. "The most common, and preferred, method for resolving a failing bank is a Purchase and Assumption (P&A) transaction, where a healthy institution (Assuming Institution) agrees to purchase some or all of the assets and assume some or all of the liabilities (including insured deposits) of the failed bank."

[141] "JPMorgan Chase Bank, National Association, Columbus, Ohio Assumes All the Deposits of First Republic Bank, San Francisco, California," Federal Deposit Insurance Corporation, May 1, 2023, https://www.fdic.gov/news/press-releases/2023/pr23034.html. "In addition to assuming all of the deposits, JPMorgan Chase Bank, National Association, agreed to purchase substantially all of First Republic Bank's assets."

[142] Singhal et al., "Toward expert-level medical question answering with large language models," Nature Medicine, January 8, 2025, https://www.nature.com/articles/s41591-024-03423-7. "We developed Med-PaLM 2, a medical LLM trained using an updated base model (PaLM 2; ref. 26) and targeted medical domain-specific fine-tuning." "Fin-Ally: Pioneering the Development of an Advanced, Commonsense-Embedded Conversational AI for Money Matters, 2026," sagepub.com, accessed September 27, 2026, https://journals.sagepub.com/doi/10.3233/FAIA251334. "Responses aligned with professional financial guidance"

off to data brokers, advertisers, or surveillance firms, effectively paying back creditors with customer privacy.

Service Disruption: A Chapter 7 liquidation involves ceasing operations. As discussed earlier, for an AI company providing critical infrastructure to hospitals, energy grids, financial systems, or government agencies, an abrupt shutdown would be catastrophic. Millions of API calls per day would simply stop working. The "wind-down" of such a company requires continuity of service that a liquidation trustee focused on creditor recovery is not incentivized or equipped to provide.

Loss of Public Investment: The immense public investment in these technologies — through tax breaks and other subsidies, and decades of university research — would be lost if the assets were simply scrapped or sold to a private monopoly. The public funded the basic research that made these technologies possible; the public should not lose everything when a private venture built on that research fails.[143]

Concentration of Private Power: Even setting aside foreign acquisition, domestic consolidation poses risks. If a failed AI provider's assets are acquired by one of the surviving hyperscalers, we simply exchange one form of fragility for another — further concentrating the market and increasing the systemic importance of the acquirer. Nor is the danger confined to the failure of one giant. The more likely fire sale is dozens of mid-size GPU-rental companies and data center operators failing in the same season — none of them individually "systemic" — with their hardware bought for pennies on the dollar by the three or four companies that already dominate cloud computing.

Lender Foreclosure: Many of the chips at risk are already pledged.[144] The loans that financed the build-out are secured by the customer contracts — lenders have generally refused to treat the chips alone as enough security[145] — and by the GPUs and the shell companies that hold them;[146] in some structures a finance vehicle owns the chips outright and leases them to the operator.[147] When a borrower defaults, the lenders move on both: they claim the contract revenue and they seize the hardware and sell it to whoever pays most, without needing a court's approval.[148] The race in a crash is as much a fight over who collects

[143] Artificial Intelligence Research et al., "2016-2019 Progress Report: Advancing Artificial Intelligence R&D," archives.gov, November 2019, https://trumpwhitehouse.archives.gov/wp-content/uploads/2019/11/AI-Research-and-Development-Progress-Report-2016-2019.pdf. "Many of today's commercial AI applications are founded on the results of decades of NSF-funded research."

[144] Jennifer Sor, "Chip fever has created an $11 billion debt market backed by Nvidia's AI-enabling GPUs," Business Insider, November 4, 2024, https://web.archive.org/web/20260921115008/https://www.businessinsider.com/nvidia-ai-gpu-chips-demand-artificial-intelligence-debt-investing-cloud-2024-11. "Collectively, they have purchased tens of thousands of Nvidia's highly sought-after chips and have offered them as collateral"

[145] Elizabeth Lopatto, "Nvidia's new financial strategy does not compute," The Verge, August 19, 2026, https://www.theverge.com/ai-artificial-intelligence/981668/nvidias-goldman-blackrock-gpu-compute-asset. "In most deals so far, the chips alone weren't enough — lenders also needed contractual cashflow on those chips."

[146] "CoreWeave Closes Landmark $8.5 Billion Financing Facility, Achieving First Investment-Grade Rated GPU-Backed Financing," March 31, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000129/ex991.htm. "Financing secured by HPC infrastructure and an associated customer contract." "Form 8-K Current Report — Item 1.01 Entry into a Material Definitive Agreement (DDTL 4.0 Facility)," CoreWeave, March 30, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000129/crwv-20260330.htm. "Secured by substantially all assets of CCAC VIII and its subsidiaries and a pledge of 100% of the equity interests in CCAC VIII"

[147] "Apollo Backs $5.4 Billion Valor and xAI Data Center Compute Infrastructure Transaction with $3.5 Billion Capital Solution," Apollo Global Management, January 7, 2026, https://ir.apollo.com/news-events/press-releases/detail/599/apollo-backs-5-4-billion-valor-and-xai-data-center-compute. "$5.4 billion acquisition and lease of data center compute infrastructure, including NVIDIA GB200 GPUs, to a subsidiary of xAI Corp"

[148] "§ 9-609. Secured Party's Right to Take Possession After Default," Legal Information Institute, https://www.law.cornell.edu/ucc/9/9-609. "A secured party may proceed under subsection (a): (1) pursuant to judicial process; or (2) without judicial process, if it proceeds without breach of the peace." "§ 9-607. Collection and Enforcement by Secured Party," Legal Information Institute, https://www.law.cornell.edu/ucc/9/9-607. "If so agreed, and in any event after default, a secured party: (1) may notify an account debtor or other person obligated on collateral to make payment or otherwise render performance to or for the benefit of the secured party"

the contracts as over who gets the chips (Section 1.2.5), and a resolution regime that cannot stop either will arrive to find nothing left to resolve.

The WGFAA provides an alternative path: conversion to public ownership that maintains service continuity, preserves national security and personal privacy, retains the value of public investment, and prevents further market concentration.

4. The Banking Solution

4.1. Breaking the Cycle of Bailouts and Consolidation

The chronic instability of the national U.S. banking sector is not an inevitability. In fact, it is the result of decades of short-sighted economic policy. Other industrialized nations, even individual US states, maintain banking systems with significantly lower failure rates.[149] The WGFAA draws on these successful models to propose a fundamental restructuring of how America handles failed banks.

Every failed bank that is still a functioning bank is converted, whatever its size. A small town's bank matters as much to the people who depend on it as a giant bank matters to the country. A rule that converted only the largest banks would leave every other failed bank to be sold in the usual way, usually to a bigger bank, and would treat the giants' customers better than everyone else's.[150] Under the WGFAA, size decides only who owns the converted bank (Section 4.1.4). It never decides whether the bank is converted.

What counts as a functioning bank is written into the statute. A failed bank is converted unless the FDIC finds, in writing, that one of three things is true: it has no real base of customer deposits, because its funding was mostly brokered deposits or other hot money; it has no real business of lending to households and firms; or its failure was driven mainly by fraud, leaving little sound business to keep. The FDIC applies the test one bank at a time, but conversion is the default, and every finding that a bank should not be converted is published with its reasons. When a bank fails the test, its customers' accounts and its sound loans are moved to a nearby Public Benefit Bank, credit union, or community bank. They are never sold to a bank with more than $250 billion in assets. These are plain rules, written down in advance. There is no room for banks to negotiate their way out of the conversion framework.

[149] "Why Canada Didn't Have a Banking Crisis in 2008," National Bureau of Economic Research, January 12, 2011, https://www.nber.org/digest/dec11/why-canada-didnt-have-banking-crisis-2008. "While in 2008 and 2009 the United States experienced bank failures, bailouts, and the worst recession since the 1930s, Canada had no bank failures, no bailouts, and its recession was less severe than either that of the early 1980s or early 1990s." Canada Deposit Insurance Corporation (CDIC), "CDIC 2025 Annual Report (English)," Canada Deposit Insurance Corporation, 2025, https://www.cdic.ca/wp-content/uploads/cdic-2025-annual-report.pdf. "The last member failure was in 1996"

[150] "Transparency & Accountability - Resolutions & Failed Banks," Federal Deposit Insurance Corporation, July 22, 2025, https://www.fdic.gov/about/transparency-accountability-resolutions-failed-banks. "The most common, and preferred, method for resolving a failing bank is a Purchase and Assumption (P&A) transaction, where a healthy institution (Assuming Institution) agrees to purchase some or all of the assets and assume some or all of the liabilities (including insured deposits) of the failed bank." Ivan T. Ivanov and Stephen A. Karolyi, "Fighting Failure: The Persistent Real Effects of Resolving Distressed Banks," communitybanking.org, April 7, 2021, https://www.communitybanking.org/~/media/files/communitybanking/2021/ivanov_fightingfailure.pdf. "In nearly 95% of resolutions, the acquiring bank is larger than the target."

4.1.1. Better Banking Models: Stability by Design

Germany's Sparkassen (Public Savings Banks): Germany relies on a network of around 337 Sparkassen, or municipal savings banks.[151] These are generally public law institutions whose mandate is to serve the local region, not to maximize shareholder profit.[152] They are legally restricted from engaging in high-risk speculative trading.[153] During the 2008 crisis, while private German banks suffered, the Sparkassen actually increased their lending to small and medium-sized enterprises, acting as a stabilizer for the real economy rather than a vector of contagion.[154] This model demonstrates that public banking is not only viable but actively superior at serving the real economy during periods of stress.

Canada's Stability Culture: Canada's banking system is widely regarded as one of the most stable in the world.[155] It avoided the worst of the 2008 crisis largely due to a regulatory culture that prioritizes stability over financial innovation.[156] Canadian mortgages carry strict origination standards; the risk-taking ethos of American finance is foreign to Canadian banking culture.[157] The WGFAA seeks to import this stability by converting failed U.S. banks into institutions that prioritize reliable utility banking over speculative growth.

The Bank of North Dakota (BND): Within the United States, the state-owned Bank of North Dakota offers a powerful precedent. Established in 1919,[158] it acts as a "banker's bank," partnering with local community

[151]"Sparkassen-Finanzgruppe," Deutscher Sparkassen- und Giroverband, August 24, 2026, https://www.dsgv.de/s-finanzgruppe/organisation-und-struktur/sparkassen.html. "Mit bundesweit 337 Instituten*, über 10.500 Geschäftsstellen und beinahe 200.000 Mitarbeiterinnen und Mitarbeitern sind Sparkassen in ganz Deutschland vertreten." [With 337 institutions nationwide, over 10,500 branches, and almost 200,000 employees, savings banks (Sparkassen) are represented throughout Germany.]

[152]"Financial Report 2025 of the Savings Banks Finance Group," Deutscher Sparkassen- und Giroverband (DSGV), 2025, https://financialreport.dsgv.de/downloads/Financial_Report_2025.pdf. "Savings Banks are generally institutions under public law" "Laws," Deutsche Bundesbank, July 1, 2014, https://www.bundesbank.de/en/tasks/financial-supervision/legal-basis/national-legal-basis/laws-915520. "Savings banks are run in line with the regional principle; they are expected to cater particularly to the needs of the regional economy."

[153]"Verordnung über die Organisation und den Geschäftsbetrieb der Sparkassen (Sparkassenordnung – SpkO)" [Regulation on the Organization and Business Operations of Savings Banks (Savings Bank Regulation – SpkO)], Bayerisches Staatsministerium des Innern, May 1, 2019, https://www.gesetze-bayern.de/Content/Document/BaySpkO/true. "Die Sparkassen dürfen keine Geschäfte betreiben, bei denen die mit dem jeweiligen Geschäft verbundenen Risiken für die Sparkasse nicht tragbar oder von ihr nicht steuerbar sind (Spekulationsverbot)." [Savings banks (Sparkassen) may not engage in transactions where the risks associated with a given transaction are unbearable or unmanageable for the savings bank (prohibition on speculation).]

[154]Doris Neuberger, "Financial Inclusion, Regulation, and Education in Germany," Asian Development Bank Institute, June 2015, https://www.adb.org/sites/default/files/publication/160699/adbi-wp530.pdf. "Figure 3 shows that in 2008–2009, commercial banks and Landesbanken sharply reduced loans to domestic enterprises and the self-employed, while savings banks and cooperative banks increased them." IMF, "Germany: Technical Note on Banking Sector Structure; IMF Country Report 11/370; July 2011," International Monetary Fund, July 2011, https://www.imf.org/external/pubs/ft/scr/2011/cr11370.pdf. "During the crisis, private commercial banks and LB suffered substantial losses from their investment portfolios, whereas Sparkassen and cooperative banks showed relatively stable profitability and had continuous access to stable funding from retail deposits."

[155]"IMF Executive Board Concludes 2025 Financial System Stability Assessment with Canada," International Monetary Fund, August 1, 2025, https://www.imf.org/en/News/Articles/2025/07/31/pr-25270-canada-imf-concludes-2025-financial-system-stability-assessment. "Canada's financial system is strong and well-regulated and has demonstrated resilience in recent years. Stress tests indicate that banks and NBFIs are generally resilient to severe solvency and liquidity shocks." "Key facts about Canada's competitiveness for foreign direct investment: May 2024," GAC, May 2024, https://international.canada.ca/en/global-affairs/corporate/reports/chief-economist/international-investment/2024-05-key-facts. "Canada's financial system is one of the soundest in the world"

[156]M. Estevão et al., "Canada: Selected Issues; IMF Country Report 09/163; April 22, 2009," International Monetary Fund, May 2009, https://www.imf.org/external/pubs/ft/scr/2009/cr09163.pdf. "Notable structural factors in Canada include high franchise values, a mortgage market characterized by prudent underwriting, and an overall prudent and conservative culture in the financial sector." OECD, "OECD Economic Surveys: Canada 2012 (EN)," Organisation for Economic Co-operation and Development, June 2012, https://www.oecd.org/content/dam/oecd/en/publications/reports/2012/06/oecd-economic-surveys-canada-2012_g1g156f0/eco_surveys-can-2012-en.pdf. "Canadian banks' prudence in lending served them well in the global economic crisis, but financial innovation could also have significant benefits for consumers."

[157]"Mortgage stress tests and household financial resilience under monetary policy tightening," Bank of Canada, November 2024, https://www.bankofcanada.ca/2024/11/staff-analytical-note-2024-25. "In Canada, residential mortgages are generally subject to robust underwriting practices and regulatory constraints."

[158]"Bank of North Dakota - State Agencies," State Historical Society of North Dakota, accessed September 27, 2026, https://www.history.nd.gov/archives/stateagencies/bankofND.html. "The Bank of North Dakota was established in 1919"

banks to increase lending capacity rather than competing with them.[159] In 2024, BND earned a return on average assets of 1.91%[160], far above the 1.1% median for U.S. banks rated by S&P Global through the first nine months of 2024,[161] while taking none of the speculative risks that periodically blow up Wall Street balance sheets. It exists primarily to serve North Dakota's economy. It has never required a bailout,[162] and it returns its profits to the state: $140 million to the general fund for the 2025-27 biennium,[163] and $335 million in total returns to the state in 2024,[164] directly reducing the tax burden on North Dakota residents. The BND demonstrates that public banking works in America, we simply haven't scaled it.

4.1.2. The Bank Conversion Protocol

Under the WGFAA, when a functioning bank fails, it will not be sold to a larger private bank (increasing consolidation) or bailed out to preserve shareholder value (rewarding speculation). Instead, it will be converted into a Public Benefit Bank. A bank kept alive with emergency federal support is treated the same way: under Section 6.6, taking that support counts as failing.

This requires changing one rule in particular. Current law obliges the FDIC to resolve a failed bank by whatever method costs its insurance fund the least,[165] and the cheapest method is usually a sale to another bank.[166] That rule is why failed banks keep ending up inside other banks.[167] The WGFAA amends it: for every failed bank that passes the test above, conversion is the required resolution, and the cost to the fund is weighed against the public value of the institution that results, not against the highest bid. The Act also repeals the exception that lets a bank already over the nationwide deposit cap buy a failed bank (Section 5.4.5), so that no failed bank's business can be handed to the largest banks by that route.[168]

The conversion timeline mirrors existing FDIC practice for failed bank resolutions — typically completed over a single weekend.[169] On Friday evening, the FDIC assumes receivership. Over the weekend, the

[159]"Interview with Eric Hardmeyer," Federal Reserve Bank of Minneapolis, September 3, 2010, https://www.minneapolisfed.org/article/2010/interview-with-eric-hardmeyer. "We're also a banker's bank. So, to access our programs, you would have to work through a local originating bank." "BND Operations," Bank of North Dakota, January 29, 2026, https://bnd.nd.gov/about-bnd/bnd-operations/. "Bank of North Dakota maintains strong relationships with financial institutions in the state and does not compete with them."

[160]Hanryano Y Lethe Sarungallo and Nicholas J Wetzel, "Bank of North Dakota," S&P Global Ratings, December 22, 2025, https://bnd.nd.gov/wp-content/uploads/2025-SP_RatingsDirect_BankofNorthDakota_3497716_Dec-22-2025.pdf. "Consistent with the full-year 2024 ROAA of 1.91%."

[161]Federal Deposit Insurance Corporation, "FDIC Quarterly Banking Profile Fourth Quarter 2024," FDIC, February 2025, https://www.fdic.gov/news/speeches/2025/fdic-quarterly-banking-profile-fourth-quarter-2024. "resulting in a return on assets ratio of 1.12 percent for the full year"

[162]Bank of North Dakota, "BND Addresses Inaccurate Reporting by National Media," October 28, 2024, https://bnd.nd.gov/bnd-addresses-inaccurate-reporting/. "BND was not bailed out with $1 billion in ARPA money, nor has it ever needed or required a 'bailout."

[163]"Enrolled Senate Bill No. 2014," Sixty-ninth Legislative Assembly of North Dakota, 2025, https://ndlegis.gov/assembly/69-2025/regular/documents/25-0181-06000.pdf. "The Bank of North Dakota shall transfer $140,000,000 from the Bank's current earnings and undivided profits to the general fund during the biennium beginning July 1, 2025, and ending June 30, 2027."

[164]"Breaking the Barrier: Annual Report 2024," Bank of North Dakota, 2024, https://bnd.nd.gov/wp-content/uploads/2024-BND-Annual-Report.pdf. "The Bank's return on investment was a healthy 15.8%, and the total return to the state was $335 million or 4.29%."

[165]"12 U.S.C. § 1823: Corporation monies," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=%28title%3A12+section%3A1823%28c%29+edition%3Aprelim%29. "The least costly to the Deposit Insurance Fund of all possible methods"

[166]"GAO-25-107023, Federal Deposit Insurance ACT: Federal Agency Efforts to Identify and Mitigate Systemic Risk from the March 2023 Bank Failures," U.S. Government Accountability Office, January 23, 2025, https://files.gao.gov/reports/GAO-25-107023/index.html. "Most commonly used purchase and assumption because FDIC often finds it as the least costly and disruptive alternative"

[167]"GAO-25-107023, Federal Deposit Insurance ACT: Federal Agency Efforts to Identify and Mitigate Systemic Risk from the March 2023 Bank Failures," U.S. Government Accountability Office, January 23, 2025, https://files.gao.gov/reports/GAO-25-107023/index.html. "FDIC has most commonly used purchase and assumption because FDIC often finds it as the least costly and disruptive alternative."

[168]"12 U.S.C. § 1828: Regulations governing insured depository institutions," Legal Information Institute, https://www.law.cornell.edu/uscode/text/12/1828. "Subparagraph (A) shall not apply to an interstate merger transaction that involves 1 or more insured depository institutions in default or in danger of default, or with respect to which the Corporation provides assistance under section 1823 of this title."

[169]FDIC – Division of Finance/Jannie Eaddy, "FDIC 2023 Annual Report," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/about/financial-reports/reports/2023annualreport/2023-arfinal.pdf. "The FDIC generally resolves failed banks under the FDI Act over a weekend to limit impacts to bank customers, but preparation activities for a resolution begin well before that period of time."

charter conversion is executed, an interim board is appointed, and executive leadership transition begins. On Monday morning, branches open under the new Public Benefit Bank charter. Depositors notice nothing; their accounts function normally. The bank keeps its name, its signs, and its brand. The change customers will notice, over time, is in its lending: a shift from shareholder returns to community development. This is not theoretical; the FDIC has executed over 500 bank resolutions since 2008.[170]

4.1.3. Automatic Charter Conversion to Public Benefit Bank (PBB)

Upon receivership, the failed bank's private charter is revoked. A new charter is issued, designating the entity as a Public Benefit Bank (PBB). Every converted bank is a Public Benefit Bank, whoever owns it (Section 4.1.4): it has no shareholders, it carries the mission set out below, and it is barred from the activities listed below.

Mission Mandate: The new PBB is statutorily required to put its lending to productive use. Its lending portfolio must shift away from speculative asset financing and toward productive lending: small business loans, infrastructure financing, affordable housing, and community development. The extractive logic of shareholder value maximization is replaced by a mandate to serve the communities where the bank operates.

National Banks: The largest converted banks are national institutions, and their mandate is national as well. A bank with customers in every state keeps lending in the communities it serves, and it also puts its size to work on the country's big undertakings: new industries, major infrastructure, and the ambitious ventures that the megabanks passed over because trading paid better.[171]

Prohibited Activities: The PBB is strictly prohibited from engaging in proprietary trading, derivatives speculation, or financing of other financial intermediaries (shadow banks). It returns to the boring, essential work of banking: taking deposits and making loans to productive enterprises.

Operational Continuity: The bank retains its branches, depositor accounts, and non-executive staff, ensuring no disruption to customers. The teller at your local branch keeps their job; your checking account continues to function; your small business line of credit remains in place. The only change customers perceive is the shift in the bank's long-term mission and the removal of shareholder pressure to maximize short-term profits at the expense of customer welfare.

This is not nationalization in the Venezuelan or Argentine sense — a government seizing profitable enterprises to extract their value. The conversion protocol applies only to *failed* institutions already in FDIC receivership. The shareholders have already lost; their equity is usually worthless.[172] The question is not whether to expropriate private property, but what to do with the wreckage. The current answer — usually sell it to a larger bank, sometimes increasing concentration — serves no one but the acquiring

[170] "Crisis and Response: An FDIC History, 2008–2013," Federal Deposit Insurance Corporation, 2017, https://www.fdic.gov/media/18626. "In all, 489 FDIC-insured banks failed during the crisis years 2008 through 2013." "Bank Failures," Federal Deposit Insurance Corporation (FDIC), accessed September 27, 2026, https://www.fdic.gov/resources/resolutions/bank-failures/in-brief/2014. "There were 18 bank failures in 2014."

[171] "Banks that trade securities grant fewer loans," Deutsche Bundesbank, April 26, 2016, https://www.bundesbank.de/en/publications/research/research-brief/2016-03-security-trade-loans-765600. "In conclusion, our findings indicate that banks' securities trading activities during the crisis did, in actual fact, partially lead to the crowding-out of lending to the real economy."

[172] "Managing the Crisis: The FDIC and RTC Experience, Volume 1: History," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://www.fdic.gov/resources/publications/managing-the-crisis/documents/managing-the-crisis.pdf. "Of the claimants, stockholders have the lowest priority and rarely if ever receive a dividend."

bank's shareholders.[173] The WGFAA answer — convert it to public purpose — serves the communities that depend on local credit. Critics who call this "socialism" are defending a system where private failure becomes public bailout but private success remains private profit. That is not capitalism; it is a rigged game.

To be clear: "shareholders wiped out" means existing equity is extinguished — worth zero. The physical branches and loan portfolios become assets of the newly chartered Public Benefit Bank, which also takes on the failed bank's obligations to its depositors. The former shareholders receive nothing because their equity was already worthless at the point of FDIC receivership; the government is not taking assets from them but rather preventing those assets from being sold to a competing mega-bank at fire-sale prices.

What Moves and What Stays Behind: A bank owes money to two very different groups. Depositors are customers; their accounts are the business itself, and they move to the Public Benefit Bank along with the loans and branches that back them. Bondholders, subordinated debt holders, and the creditors of the parent holding company are investors who were paid interest to bear risk. Their claims stay behind in the receivership of the failed bank, alongside the worthless shares, and are paid only from whatever the FDIC recovers. This is broadly how the FDIC already resolves failed banks,[174] and federal law already ranks depositors ahead of bondholders.[175] The largest banks are in fact required to issue a thick layer of long-term debt whose stated purpose is to absorb losses in a failure.[176] The WGFAA simply insists that it be used.

Deposit Coverage: The WGFAA insures all deposits, at every insured bank, explicitly and in advance. Banks pay for the coverage through risk-based premiums. There are four reasons.

First, it ends the accidental rescue of the megabanks. As Section 3.1.1 showed, a limit on insurance does not impose discipline evenly. It sends money fleeing, at the first sign of trouble, from smaller banks to the few that everyone believes the government stands behind. If a megabank is insolvent, it should be found insolvent and converted under this Act — not floated through the crisis on deposits that fled from its sounder competitors. Only when a deposit is equally safe at every bank does a panic stop working as a subsidy to size.

Second, it stops the consolidation that follows. When runs topple mid-size banks, they tend to end the

[173] "Transparency & Accountability - Resolutions & Failed Banks," Federal Deposit Insurance Corporation, July 22, 2025, https://www.fdic.gov/about/transparency-accountability-resolutions-failed-banks. "The most common, and preferred, method for resolving a failing bank is a Purchase and Assumption (P&A) transaction" U.S. Government Accountability Office, "GAO-13-71, Financial Institutions: Causes and Consequences of Recent Bank Failures," January 2013, https://www.gao.gov/assets/gao-13-71.pdf. "120 of the 188 metropolitan areas affected by bank failures between June 30, 2009, and June 29, 2010, likely experienced no change in market concentration"

[174] "Insured Depository Institution Resolutions Handbook," Federal Deposit Insurance Corporation, February 27, 2025, https://www.fdic.gov/bank-failures/resolutions-handbook.pdf. "If the FDIC receives an acceptable least cost bid, depending on the transaction structure, the FDIC will transfer to the AI either the insured and uninsured deposits or only the insured deposits—in addition to any other assets purchased by the AI pursuant to the P&A Agreement."

[175] "12 U.S.C. § 1821: Insurance Funds," Legal Information Institute, https://www.law.cornell.edu/uscode/text/12/1821. "Amounts realized from the liquidation or other resolution of any insured depository institution by any receiver appointed for such institution shall be distributed to pay claims (other than secured claims to the extent of any such security) in the following order of priority: (i) Administrative expenses of the receiver. (ii) Any deposit liability of the institution. (iii) Any other general or senior liability of the institution"

[176] "Federal Reserve Board adopts final rule to strengthen the ability of government authorities to resolve in orderly way largest domestic and foreign banks operating in the United States," Board of Governors of the Federal Reserve System, December 15, 2016, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20161215a.htm. "Requiring a GSIB to maintain sufficient amounts of long-term debt, which can be converted to equity during resolution, would help achieve this objective by providing a source of private capital to support the firm's critical operations during resolution."

same way: fewer, larger banks.[177] Some $7.7 trillion of American deposits at the end of 2022 — 43% of the total — sit above the insurance limit.[178] As long as that money is safe only at the largest banks, it will keep migrating to them, crisis after crisis.

Third, a converted bank needs its depositors. The point of conversion is to keep a working bank — its branches, its loans, its customer relationships — in service to its community. A bank that loses half its deposits on the way to conversion is not a functioning piece of public infrastructure; it is a shell. A full guarantee means the deposits stay where they are, and the Public Benefit Bank opens on Monday morning with its funding intact.

Fourth, depositors were never the source of discipline that theory makes them out to be. Silicon Valley Bank's depositors included many sophisticated investors, and they noticed nothing until the day they all ran at once: on March 9, 2023, $42 billion left in a single day,[179] with about another $100 billion queued for the next morning.[180] A payroll clerk cannot audit a bank's bond portfolio, and should not have to. Under the WGFAA, discipline falls on the people who are paid to bear risk and have the means to judge it: shareholders, who are wiped out; bondholders, who are left behind in the receivership; and executives, whose pay is clawed back.

The familiar objection is that insuring every deposit invites recklessness: a badly run bank could raise unlimited insured funds and gamble with them, as the savings and loans did in the 1980s. The answer is that the guarantee already exists wherever it matters most, and at present it is free. The WGFAA makes it explicit and makes banks pay for it. Premiums on the newly covered deposits rise with a bank's risk and with its size, so the largest banks — which have enjoyed the implicit guarantee without charge — pay the most. And a bank that gambles with insured money now faces a consequence its owners cannot escape: not a bailout, not a sale to a friendly rival, but conversion. Full insurance does remove one crude alarm. A run is how a failing bank has often been exposed, and without runs a bank that is quietly insolvent can stay open longer, as the savings and loans did. Regulators therefore carry the whole burden of closing bad banks early, and the Act gives them both the duty and a ready destination: a bank whose capital falls below the existing prompt-corrective-action floor is placed in receivership and, if it is a functioning bank, converted.

There is precedent. From 2010 through 2012, Congress insured noninterest-bearing transaction accounts

[177] "Lessons Learned from the U.S. Regional Bank Failures of 2023," Federal Deposit Insurance Corporation, May 17, 2024, https://www.fdic.gov/news/speeches/2024/lessons-learned-us-regional-bank-failures-2023. "A regional bank, New York Community Bank's subsidiary Flagstar Bank, purchased Signature a week after it was placed in receivership." "An Underappreciated Risk: The Resolution of Large Regional Banks in the United States," Federal Deposit Insurance Corporation, October 16, 2019, https://www.fdic.gov/news/speeches/2019/spoct1619.html. "Approximately 95 percent of resolutions conducted by the FDIC since 2007 involved purchase and assumption transactions, generally involving a single acquirer assuming nearly all of the failing bank's liabilities."

[178] FDIC, "Options For Deposit Insurance Reform - Section 3: History of Deposit Insurance in the U.S," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-section-3.pdf. "As of December 31, 2022, estimated uninsured deposits held by insured depository institutions totaled about $7.7 trillion, which is 43 percent of domestic deposits."

[179] "Lessons Learned from the U.S. Regional Bank Failures of 2023," Federal Deposit Insurance Corporation, May 17, 2024, https://www.fdic.gov/news/speeches/2024/lessons-learned-us-regional-bank-failures-2023. "By that evening, $42 billion in deposits had left the bank with an additional $100 billion staged to be withdrawn the next day."

[180] the Consumer Financial Protection Bureau, "Material Loss Review of Silicon Valley Bank," Federal Reserve, September 25, 2023, https://oig.federalreserve.gov/reports/board-material-loss-review-silicon-valley-bank-sep2023.pdf. "Its funding structure was primarily concentrated in private equity and venture capital firms."

without limit.[181] After the 2023 failures the FDIC itself studied unlimited coverage and concluded that, of the options it considered, it offers the clearest solution to bank runs and the greatest benefit to financial stability, while warning of its cost to the insurance fund and its effect on risk-taking — the costs that priced premiums and the certainty of conversion are designed to meet.[182] In 2023 the cost of covering uninsured depositors, about $16 billion, as the FDIC estimated in November 2023, was billed to larger banks rather than to taxpayers.[183] The WGFAA makes that the rule rather than the exception.

4.1.4. Governance and Capitalization

Governance and Ownership: The Board of Directors is replaced. Executive leadership responsible for the failure is removed and subject to compensation clawbacks. Who owns the converted bank, and so who chooses its board, depends on its size.

Local and Regional Banks: A local or regional bank becomes the property of its depositors. The receiver moves its business into a newly chartered mutual bank: it has no shareholders, each depositor has one vote, as each member of a credit union does, and the depositors elect the board, with seats reserved for the bank's employees.[184] This is an old American form, not a new one. Mutual savings banks and credit unions are owned by the people who bank with them, under charters and regulators that already exist, and community bankers have long worked alongside both.[185] Because no official appoints the board, no administration can remove it. The mechanics are close to what the FDIC does now. When it takes over a failed bank it can already move the bank's business into a newly chartered institution, a bridge bank,[186] and federal law already provides for savings institutions chartered in mutual form.[187] What the Act adds is a mutual charter made for this purpose. The existing federal mutual and credit union charters carry lending limits written for home lenders and for small consumer lenders, and a converted commercial

[181] "Dodd-Frank Wall Street Reform and Consumer Protection Act," United States Congress, July 21, 2010, https://www.govinfo.gov/content/pkg/PLAW-111publ203/html/PLAW-111publ203.htm. "The Corporation shall fully insure the net amount that any depositor at an insured depository institution maintains in a noninterest-bearing transaction account." "Final Rule: Temporary Unlimited Coverage for Noninterest - Bearing Transaction Accounts," Federal Deposit Insurance Corporation, November 9, 2010, https://www.fdic.gov/news/inactive-financial-institution-letters/2010/final-rule-temporary-unlimited-coverage-noninterest-bearing. "All funds held in noninterest-bearing transaction accounts will be fully insured, without limit, from December 31, 2010, through December 31, 2012."

[182] FDIC, "Options For Deposit Insurance Reform -Section 7: Conclusion," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-section-7.pdf. "Of the options considered, Unlimited Coverage provides the clearest solution to bank runs, at the expense of more significant implications for Fund adequacy and market disruptions, and the greatest potential of the options for increases in bank risk-taking." FDIC, "Options For Deposit Insurance Reform - Section 6: Options for Increased Deposit Insurance Coverage," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-section-6.pdf. "Although Unlimited Coverage likely provides the greatest financial stability benefits of the options considered, it is also a significant departure from the existing system."

[183] "Final Rule on Special Assessment Pursuant to Systemic Risk Determination," Federal Deposit Insurance Corporation, November 16, 2023, https://www.fdic.gov/news/fact-sheets/special-assessment-final-rule-11-07-23.html. "Currently, the FDIC estimates that of the total cost of the failures of Silicon Valley Bank and Signature Bank, approximately $16.3 billion was attributable to the protection of uninsured depositors."

[184] "Overview of Federal Credit Unions," National Credit Union Administration, accessed October 4, 2026, https://publishedguides.ncua.gov/charteringmanual/Content/CharteringManual/IntroductionSummary/OverviewFCUs.htm. "Members exercise democratic control: each member has one vote, regardless of the number shares owned."

[185] Breitenstein and Eric C., "Mutual Institutions: Owned by the Communities they Serve," FDIC Quarterly, October 2016, https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2016-vol10-4/article2.pdf. "Mutual savings banks and mutual savings and loan associations (S&Ls) form a unique part of the banking industry, in that they are owned by their depositors rather than by shareholders." "Starting a New Federal Credit Union," NCUA, July 22, 2026, https://ncua.gov/support-services/credit-union-resources-expansion/starting-new-federal-credit-union. "Credit unions need a charter — a license to operate — from either the National Credit Union Administration or a state credit union regulator."

[186] "Insured Depository Institution Resolutions Handbook," Federal Deposit Insurance Corporation, February 27, 2025, https://www.fdic.gov/bank-failures/resolutions-handbook.pdf. "A bridge depository institution (BDI)—also known as a bridge bank—is a new, temporary depository institution chartered by the OCC after a failed insured depository institution is closed by its chartering authority, and the FDIC is appointed receiver."

[187] "12 CFR § 5.21," Legal Information Institute, https://www.law.cornell.edu/cfr/text/12/5.21. "A Federal mutual savings association must have a charter in the following form."

bank that went on lending to businesses would run into them.[188] Two other routes are open. A state, a city, or a county may take ownership instead, and then appoints the board together with community stakeholders and employee representatives, loosely modeled on the Sparkassen governance structure. And where a sound credit union already serves the same community, the receiver may transfer the failed bank's accounts and loans to it, the way credit unions already buy banks; that business then operates under the credit union's own charter.[189] The Act gives the receiver the power to resolve a failed bank by any of these routes.

The Largest Banks: A bank with more than $250 billion in assets is a national institution with customers in every state, and no single community or body of depositors can speak for it. It becomes a federal public corporation (Section 8.1). Its board is accountable to the public at large: publicly appointed directors serve fixed, staggered terms on the rules in Section 8.1, alongside representatives of employees, of customers, and of the regions where the bank does most of its business. In every case the point is the same. Leadership answers to the people and communities the bank serves, rather than to distant shareholders focused on quarterly earnings.

Capitalization: The cost of this conversion is borne by the financial industry, not the taxpayer. The WGFAA establishes a Public Bank Capitalization Fund, financed by a surcharge on the deposit insurance premiums of the largest private banks (Global Systemically Important Banks, or G-SIBs). At an illustrative rate of 0.10% a year, a surcharge on the roughly $9 trillion in deposits held by the eight U.S. G-SIBs[190] would raise on the order of $9 billion annually, a small fraction of those banks' operating costs; JPMorgan Chase alone reported $95.6 billion in noninterest expense for 2025.[191] Over five years that builds a standing fund of $45 billion, which, as a rough illustration, could give a bank the size of First Republic a capital cushion of 8% to 10% of its assets twice over, a range equal to the leverage ratio community banks may hold in place of the full risk-based capital rules and well above the 5% leverage ratio that counts as well capitalized. If a wave of failures arrives before the fund has built up, it may borrow up to $75 billion from the Treasury against future surcharge revenue, just as the Deposit Insurance Fund can today.[192] This ensures that the institutions creating systemic risk pay for the solution. In many failures, leaving the shareholders and bondholders behind is enough to fill the hole in the balance sheet, because their

[188]"12 U.S.C. § 1464: Federal savings associations," Office of the Law Revision Counsel, https://web.archive.org/web/20261005/https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section1464&num=0&edition=prelim. "The aggregate amount of loans made under this subparagraph may not exceed 20 percent of the total assets of the Federal savings association, and amounts in excess of 10 percent of such total assets may be used under this subparagraph only for small business loans, as that term is defined by the Comptroller." "12 U.S.C. § 1757a: Limitation on member business loans," Legal Information Institute, https://www.law.cornell.edu/uscode/text/12/1757a. "No insured credit union may make any member business loan that would result in a total amount of such loans outstanding at that credit union at any one time equal to more than the lesser of— (1) 1.75 times the actual net worth of the credit union; or (2) 1.75 times the minimum net worth required under section 1790d(c)(1)(A) of this title for a credit union to be well capitalized."

[189]"Merger and Acquisition Frequently Asked Questions," NCUA, April 21, 2026, https://ncua.gov/support-services/credit-union-merger-acquisition/merger-and-acquisition-faqs. "In other words, a federally insured credit union may purchase assets and assume liabilities (including deposits) of a selling entity. However, federally insured credit unions can't acquire a bank charter."

[190]"Global Systemically Important Banks," Federal Reserve, February 25, 2026, https://www.federalreserve.gov/supervisionreg/global-systemically-important-banks.htm. "As of February 2026, eight U.S. banking organizations were included in the GSIB supervisory program" SIFMA, "SIFMA Research Quarterly - Banks 4Q25," February 2026, https://www.sifma.org/wp-content/uploads/2025/11/Research-Quarterly-US-Banks-4Q-2025.pdf. "Chart 74: Total Deposits ($T): G-SIBs"

[191]"Annual Report 2025," jpmorganchase.com, April 6, 2026, https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/annualreport-2025.pdf. "Noninterest expense was $95.6 billion, up 4%"

[192]Legal Information Institute, Cornell Law School, "12 U.S. Code § 1824 - Borrowing authority," https://www.law.cornell.edu/uscode/text/12/1824. "The Corporation is authorized to borrow from the Treasury … not exceeding in the aggregate $100,000,000,000 outstanding at any one time."

losses absorb it. Where a gap remains even after that, the fund does not have to write a check for the whole amount on the first day. A Public Benefit Bank may open with the gap on its books, backed by a guarantee from the fund, and close it from its own earnings on a fixed schedule — a bank of $200 billion earning 1% on its assets retains about $2 billion a year. The private banks rescued after 2008 were healed in much the same way, partly by time, guaranteed funding, and retained profits; the difference is that here the recovery belongs to the bank's depositors or to the public, not to shareholders.[193] The fund pays cash only if a bank falls behind its schedule, which lets the same surcharge support many more conversions. The Fund also covers legal defense costs arising from conversion challenges. Shareholder litigation is inevitable; the Fund ensures that legal fees do not drain resources from the converted institution's public mission or fall on taxpayers.

The principle is simple: the industry that creates the risk funds the resolution. Taxpayers are held harmless.

G-SIBs will resist these surcharges — that is certain. But the political economy favors this structure. First, the surcharge is framed as insurance, not taxation: banks pay to avoid being on the hook for ad-hoc bailout costs that fall unpredictably and disruptively. Second, the alternative — taxpayer-funded resolutions — faces far greater political opposition in the post-2008 era. Third, G-SIBs already carry systemic-risk capital surcharges under Basel III; the principle that the largest banks pay more for the risk they create is settled, and this applies it to the cost of resolution.[194] The WGFAA does not ask Wall Street to fund its competitors out of altruism; it forces them to fund systemic stability because the alternative — chaotic failures or taxpayer bailouts — is worse for everyone, including them.

What Lenders Get: Depositors are covered in full. The bank's lenders are not. Some of them hold collateral: a Federal Home Loan Bank, for example, lends to a bank against mortgages and securities.[195] Those lenders must be paid the value of their collateral. This is a requirement of the Constitution, not a favor: a claim on collateral is a property right, and the government may not take property without paying for it (Section 6.1).[196] But what they are owed is what the collateral would fetch in the market on the day of failure, which in a crash may be small, and not the amount they lent. The shortfall is their loss. Bondholders and other lenders without collateral are paid only from whatever the FDIC recovers

[193] "FRB: Dodd-Frank Act Stress Test 2014: Supervisory Stress Test Methodology and Results," Board of Governors of the Federal Reserve System, March 2014, https://www.federalreserve.gov/bankinforeg/stress-tests/ccar/march-2014-introduction.htm. "Much of the additional increase in recent years is attributable to a significant accretion of common equity through retained earnings." "Crisis and Response: The Temporary Liquidity Guarantee Program: A Systemwide Systemic Risk Exception," Crisis and Response: An FDIC History, 2008–2013, accessed September 27, 2026, https://www.fdic.gov/resources/publications/crisis-response/book/crisis-response-chapter-2.pdf. "The DGP provided liquidity by guaranteeing participating entities' newly issued senior unsecured borrowing, thereby allowing participants to roll over maturing debt or issue additional debt."

[194] "The G-SIB framework - Executive Summary," Bank for International Settlements, October 25, 2018, https://www.bis.org/publications/fsi-summary-g-sib-framework-executive-summary. "G-SIBs are required to hold additional capital, the amount of which depends on their score."

[195] FHFA, "About the FHLBank System," U.S. FEDERAL HOUSING, July 22, 2026, https://www.fhfa.gov/about/federal-home-loan-bank-system. "The FHLBanks provide liquidity to members mainly through advances, which are long- and short-term loans priced at a small spread over comparable U.S. Department of the Treasury obligations. Advances are primarily collateralized by residential mortgage loans, and government and agency securities."

[196] *Cecil W. Armstrong et al., Petitioners, v. United States of America*, 364 U.S. 40, https://www.law.cornell.edu/supremecourt/text/364/40. "We hold that there was a taking of these liens for which just compensation is due under the Fifth Amendment." "Fifth Amendment," Constitution Annotated, accessed October 5, 2026, https://constitution.congress.gov/constitution/amendment-5/. "Nor shall private property be taken for public use, without just compensation."

from the failed bank's remaining assets, in the order federal law already sets.[197] In many failed bank resolutions, senior secured creditors recover a substantial portion of their claims; general unsecured creditors and subordinated debt holders typically face significant haircuts.[198] The government does not pay for creditors' losses. That is what separates this from a bailout. Lenders receive what the assets are worth and no more, and under the WGFAA those assets are put to public use rather than sold to a competing mega-bank.

5. The Technology Solution

5.1. Systemically Important Technology Institutions

Just as the failure of a major bank threatens financial liquidity, the failure of a major AI laboratory or compute provider threatens the digital infrastructure of the 21st century. The WGFAA treats these entities not as standard corporations subject to ordinary bankruptcy, but as Systemically Important Technology Institutions (SITIs): critical public infrastructure in waiting.

5.2. Establishing the Federal Digital Infrastructure Corporation (FDIC-Tech)

The WGFAA creates the Federal Digital Infrastructure Corporation (FDIC-Tech), a new regulatory body (or a specialized independent division within the existing FDIC) tasked with ensuring the stability of the digital economy.

5.2.1. Mandate and Authority

The FDIC-Tech is granted authority to act as the receiver for insolvent SITIs. Its mandate has two sides, and both are written into the statute. The first mirrors that of the FDIC for banks: to maintain public confidence and resolve failed institutions with minimal cost to the taxpayer. The second is to keep access to computing power broad and competitive. An agency charged only with preventing harm learns that "no" is always the safe answer; the FDIC-Tech is also charged with making sure that the nation's computing capacity gets built, used, and widely shared.

Resolution Authority: The WGFAA grants the FDIC-Tech "Orderly Liquidation Authority" (similar to Title II of Dodd-Frank) over technology companies designated as systemically important.[199] This allows the agency to place a failing firm in receivership, remove its management, and operate it as a "bridge entity" to prevent systemic contagion. Unlike traditional bankruptcy, which prioritizes creditor recovery, FDIC-Tech resolution prioritizes service continuity and public benefit.

[197] "12 U.S.C. § 1821: Insurance Funds," Legal Information Institute, https://www.law.cornell.edu/uscode/text/12/1821. "Amounts realized from the liquidation or other resolution of any insured depository institution by any receiver appointed for such institution shall be distributed to pay claims (other than secured claims to the extent of any such security) in the following order of priority"

[198] Bennett and Rosalind L., "Market Discipline by Bank Creditors during the 2008-2010 Crisis," Federal Deposit Insurance Corporation, March 2014, https://www.fdic.gov/analysis/cfr/working-papers/2014/2014-03.pdf. "Columns 4 and 5 show that subordinated debt holders were always expected to lose all of their claims and that secured creditors were always expected to fully recover their assets."

[199] "Resolution Authority," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://www.fdic.gov/resolutions/resolution-authority. "As a backstop, when an orderly resolution under the Bankruptcy Code might not be possible, Title II of the Dodd-Frank Act provides the Orderly Liquidation Authority."

Asset Preservation: The agency is empowered to freeze critical digital assets (code, data, model weights) to prevent their deletion or unauthorized transfer during the resolution process. This includes the power to override contractual "kill switches" or internal policies requiring data destruction upon insolvency. The assets that represent billions in investment and years of research are preserved for public benefit rather than destroyed to satisfy narrow private interests.

A Defined Trigger: A firm is placed in receivership only when it has failed or is on the point of failing. Three events are failure by definition, and each puts a SITI into receivership automatically, with no vote and no official's judgment. The firm files for bankruptcy. It misses a payment of $100 million or more on its debts or leases and has still not paid when the grace period in its own contract runs out, or after 30 days, whichever comes first. Or it takes emergency federal support (Section 6.6). A payment withheld in a good-faith dispute over whether it is owed does not count as missed, and neither does one the lenders have agreed to defer; a firm kept alive on such extensions can still be reached by the early route below. The FDIC-Tech certifies that the event has happened, which is a matter of record, and takes over. Any bankruptcy case then gives way to the receivership, as Dodd-Frank already provides for failed financial companies.[200] A company that is paying what it owes cannot be converted under this Act, whatever regulators think of its business model.

Acting Early, with Three Keys: Waiting for one of those events is often waiting too long. By the time a payment is missed, lenders have seized hardware, staff have left, and customers have gone. So the Act also allows receivership when a firm has not yet crossed one of those lines but cannot pay its obligations as they come due, owes more than its assets are worth, or is about to file for bankruptcy. This is the same "in default or in danger of default" standard that Dodd-Frank applies to financial companies.[201] Because that is a judgment, and because AI companies are politically sensitive in a way banks are not, no single official may make it. As under Dodd-Frank, it requires a written recommendation from two-thirds of the FDIC-Tech's board and two-thirds of the Federal Reserve Board, and a determination by the Secretary of the Treasury, who must consult the President.[202] A president who wanted to put a disfavored company into receivership would need two boards to agree in writing that it had failed, and the members of one of them, the Federal Reserve Board, cannot be removed at will (Section 8.1).[203] And an administration that preferred a bailout cannot avoid a conversion by declining to vote, because the automatic triggers do not wait for one.

[200]"12 U.S.C. § 5388: Dismissal and exclusion of other actions," Office of the Law Revision Counsel, https://web.archive.org/web/20261005/https://uscode.house.gov/view.xhtml?edition=prelim&num=0&req=granuleid%3AUSC-prelim-title12-section5388. "Any case or proceeding commenced with respect to the covered financial company under the Bankruptcy Code or the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.) shall be dismissed, upon notice to the bankruptcy court"

[201]Legal Information Institute, Cornell Law School, "12 U.S. Code § 5383 - Systemic risk determination," https://www.law.cornell.edu/uscode/text/12/5383. "the Secretary (in consultation with the President) determines that— (1) the financial company is in default or in danger of default"

[202]Legal Information Institute, Cornell Law School, "12 U.S. Code § 5383 - Systemic risk determination," https://www.law.cornell.edu/uscode/text/12/5383. "Such recommendation shall be made upon a vote of not fewer than ⅔ of the members of the Board of Governors then serving and ⅔ of the members of the board of directors of the Corporation then serving."

[203]"Trump v. Cook and For-Cause Removal of Federal," Congress.gov, July 6, 2026, https://www.congress.gov/crs-product/LSB11449. "The Court held that the President could not do so 'for any reason, or no reason,' noting that Congress had not authorized removals at will or explicitly precluded judicial review." "25A312 Trump v. Cook (06/29/2026)," Supreme Court of the United States, June 29, 2026, https://www.supremecourt.gov/opinions/25pdf/25a312_5468.pdf. "The Federal Reserve's Governors do not serve at the President's pleasure—they instead serve staggered 14-year terms, and may be removed only 'for cause."

Fast Court Review: A firm placed in receivership may challenge it in federal district court, whether the challenge is to a finding of failure or to the claim that an automatic trigger occurred. As under Dodd-Frank, the court has 24 hours from receiving the petition, and if it has not ruled by then the receivership goes ahead.[204] Its review is limited to whether the finding was arbitrary or, for an automatic trigger, whether the event occurred.[205] Owners get their day in court without getting months in which to strip assets.

Automatic Freeze: From the moment the receiver is appointed, and for 90 days after, lenders may not seize or sell collateral, landlords and suppliers may not cancel contracts on account of the insolvency, and counterparties may not trigger cross-defaults. The FDIC has some of the same protection when it takes over a bank.[206] Without it, a wobbling firm's lenders would race each other to grab the hardware, and the race itself would finish the firm off.

5.2.2. Technology Stability Oversight Council (TechSOC)

To identify which firms fall under this regime, the WGFAA establishes the Technology Stability Oversight Council (TechSOC). Composed of the heads of the FDIC-Tech, FTC, FCC, CISA, and Treasury, this body monitors the technology sector for systemic risks.

Designation Power: TechSOC has the power to designate firms as Systemically Important Technology Institutions (SITIs) based on their size, interconnectedness, and the lack of substitutability of their services. A firm providing AI infrastructure to hospitals, financial institutions, and government agencies — infrastructure that cannot be quickly replaced — could meet the criteria for this designation.

Criteria for Designation: As with the bank rules, the criteria are written down in advance rather than left to discretion.[207] A firm is presumptively a SITI if it meets any one of the following:

- Scale: it owns or operates 3% or more of the nation's registered AI computing capacity (measured through the chip registry described in Section 5.4), or has more than $10 billion in annual revenue from AI and cloud services, or more than 50 million monthly users in the United States

[204] "Subchapter II—Orderly Liquidation Authority," Office of the Law Revision Counsel, https://web.archive.org/web/20261005/https://uscode.house.gov/view.xhtml?path=/prelim@title12/chapter53/subchapter2&edition=prelim. "If the Court does not make a determination within 24 hours of receipt of the petition— (I) the petition shall be granted by operation of law; (II) the Secretary shall appoint the Corporation as receiver; and (III) liquidation under this subchapter shall automatically and without further notice or action be commenced and the Corporation may immediately take all actions authorized under this subchapter."

[205] "Title 12—Banks and Banking, Chapter 53—Wall Street Reform and Consumer Protection," U.S. Government Publishing Office, https://www.govinfo.gov/content/pkg/USCODE-2024-title12/html/USCODE-2024-title12-chap53.htm. "If the Court does not make a determination within 24 hours of receipt of the petition— (I) the petition shall be granted by operation of law; (II) the Secretary shall appoint the Corporation as receiver" "The Court, after notice to the covered financial company and a hearing in which the covered financial company may oppose the petition, shall determine whether the determination of the Secretary that the covered financial company is in default or in danger of default and satisfies the definition of a financial company under section 5381(a)(11) of this title is arbitrary and capricious."

[206] Legal Information Institute, Cornell Law School, "12 U.S. Code § 1821 - Insurance Funds," https://www.law.cornell.edu/uscode/text/12/1821. "No person may exercise any right or power to terminate, accelerate, or declare a default under any contract to which the depository institution is a party, or to obtain possession of or exercise control over any property of the institution or affect any contractual rights of the institution, without the consent of the conservator or receiver, as appropriate, during the 45-day period beginning on the date of the appointment of the conservator, or during the 90-day period beginning on the date of the appointment of the receiver, as applicable."

[207] "Section 217.402—Identification as a Global Systemically Important BHC," Board of Governors of the Federal Reserve System, accessed October 5, 2026, https://www.federalreserve.gov/frrs/regulations/section-217402-identification-as-a-global-systemically-important-bhc.htm. "A bank holding company is a global systemically important BHC if its method 1 score, as calculated under section 217.404, equals or exceeds 130 basis points."

- Critical dependency: it is the primary AI or computing provider for 25 or more hospital systems, electric or water utilities, systemically important financial institutions, or federal agencies — a count made possible by requiring those customers to report their providers
- Interconnectedness: it owes more than $25 billion in debt and lease obligations to U.S. banks, insurers, pension funds, and credit funds
- Lack of substitutability: TechSOC finds, on a written record, that no alternative provider could absorb the firm's critical customers within 90 days of a failure

A firm that meets a threshold may contest its designation by showing that its failure would not in fact disrupt critical services or the financial system, and TechSOC must answer that showing in writing. Vague criteria do not survive in court: in 2016 a federal judge threw out the designation of MetLife as systemically important[208] in part because regulators had not adequately explained their reasoning.[209] Hard numbers, a written record, and a right of reply are what make a designation stick.

5.3. The SITI Conversion Protocol: From Failure to Public Utility

Unlike the Dodd-Frank Act, which requires large banks to write "living wills" planning for their own orderly resolution (death), the WGFAA mandates Conversion Planning for SITIs.[210] These institutions provide infrastructure that cannot be allowed to simply "die" or be liquidated piecemeal. SITIs must operate with the clear legal understanding that insolvency results in immediate conversion to a public utility.

5.3.1. The "Public Utility" Trigger

Receivership: When a SITI fails, whether by one of the automatic triggers or by the three-key determination in Section 5.2.1, it is placed in receivership with the FDIC-Tech. This is receivership, not conservatorship: a conservator holds a firm for its owners and hands it back when it recovers, as with Fannie Mae and Freddie Mac after 2008, while a receiver ends the owners' interest and passes the working institution to a new owner. The receiver's mandate is to maintain operations and service continuity for the public benefit, not to maximize recovery for creditors.

Non-Profit Conversion: The entity is reorganized as a federal public corporation with no shares (Section 8.1), as a Public Compute Utility or a Public Research Institute. Its mission shifts from profit maximization to "safe, equitable, and open access" to digital resources. The profit motive that incentivized reckless deployment and safety shortcuts is removed.

[208] "SEC Document," MetLife Insurance Company USA, March 31, 2016, https://www.sec.gov/Archives/edgar/data/733076/000093783416000104/metlifeusa-2016331x10q.htm. "On March 30, 2016, the D.C. District Court ordered that the designation of MetLife, Inc. as a non-bank systemically important financial institution"

[209] "177 FSUPP3D 219 - MetLife, Inc. v. Financial Stability Oversight Council," OpenJurist, March 30, 2016, https://openjurist.org/177/fsupp3d/219/metlife-inc-v-financial-stability-oversight-council. "Critical departures from two of the standards it adopted in its Guidance, never explaining such departures or even recognizing them as such."

[210] "Living Wills (or Resolution Plans)," Federal Reserve, June 20, 2025, https://www.federalreserve.gov/supervisionreg/resolution-plans.htm. "The Dodd-Frank Act requires large banking organizations and certain other firms to periodically submit resolution plans to the Federal Reserve and the Federal Deposit Insurance Corporation. Each plan, commonly known as a living will, must describe the company's strategy for rapid and orderly resolution in the event of material financial distress or failure of the company, as well as include both public and confidential sections."

5.3.2. The "CERN for AI" Model (Public Research Institutes)

For failed frontier AI labs (e.g., a hypothetical insolvent OpenAI or Anthropic), the conversion creates a Public Research Institute modeled after CERN (European Organization for Nuclear Research).

Structure: These entities operate as national public research consortiums, governed by boards representing the scientific community, civil society, government, and the workforce. They are insulated from market pressure to ship products before safety testing is complete.

Mission: The profit motive is replaced by a mandate for scientific advancement and safety. The institute focuses on alignment research, interpretability, and the development of "public option" models that are open, transparent, and designed for societal benefit rather than surveillance or advertising optimization.

Open Access: The proprietary models ("weights") held by the failed firm are classified as public goods. Access is granted to academic and non-profit researchers under strict safety protocols, breaking the near-monopoly on frontier AI research currently held by a handful of private firms.[211] The public investment that made these technologies possible is returned to the public.

Safety Mandate: Relieved of the pressure to ship products for quarterly earnings, the new institute focuses on the hard problems of AI safety that private firms have under-researched. It serves as the "gold standard" for responsible AI development, pressuring the surviving private sector to raise its own standards through competition on safety rather than speed.

5.3.3. The National Research Cloud (Public Compute Utility)

For failed cloud providers and data center operators, the conversion creates a Public Compute Utility (PCU). Hardware assets are integrated into a National Research Cloud.

Infrastructure Access: The GPUs, data centers, and networking equipment of failed firms provide compute capacity to universities, startups, non-profits, government at every level, and the public at large, at subsidized rates where the mission calls for it. This democratizes access to the raw power needed for AI development, breaking the current oligopoly where only the wealthiest firms can afford frontier-scale training runs.[212]

Utility Regulation: PCUs operate under public utility regulation. They must offer non-discriminatory access and regulated pricing, preventing price gouging during periods of high demand. They cannot refuse service to qualified researchers or startups based on competitive considerations.

Grid Stability: As public entities, PCUs are mandated to coordinate with energy grid operators to ensure their power consumption does not destabilize the electrical grid or drive up costs for residential

[211] "Research and Development," Stanford HAI AI Index Report, 2026, https://hai.stanford.edu/assets/files/ai_index_report_2026_chapter_1_research_development.pdf. "Over the past decade, the share produced by industry has grown steadily and now represents the largest share by a wide margin (91.2%). In 2025, Epoch AI identified two notable AI models originating from academia, compared to 93 from industry." "Developments in Artificial Intelligence markets: New evidence on model characteristics, prices and providers," ECOSCOPE, June 17, 2025, https://oecdecoscope.blog/2025/06/17/developments-in-artificial-intelligence-markets-new-evidence-on-model-characteristics-prices-and-providers/. "Moreover, the developers and models that make it to the frontier have been changing, with five to six players alternating at the frontier (OpenAI, Meta, DeepSeek, Anthropic, etc.) and around ten others following closely."

[212] "Full Report: Artificial Intelligence markets," Organisation for Economic Co-operation and Development, accessed September 27, 2026, https://www.oecd.org/en/publications/artificial-intelligence-markets_d531d73f-en/full-report.html. "Although the market is highly oligopolistic" Cottier et al., "The rising costs of training frontier AI models," arXiv, 2024/05/31, https://arxiv.org/abs/2405.21015. "Only the most well-funded organizations will be able to finance frontier AI models."

ratepayers. Unlike private data centers that externalize energy costs onto communities, public utilities internalize these considerations.

Whole Sites, Not Loose Chips: A GPU is useless without a powered building, cooling, networking, and the people who know how to run it all. The National Research Cloud therefore takes over complete working data centers, with their staff, that it can operate from the first day — not pallets of hardware that would sit in a warehouse. Loose chips and sites the utility does not need are sold to private buyers under the rules in Section 5.4.

No Ceiling, and No Hoarding: The goals of the National Research Cloud are to maintain the nation's computing capacity through a crash, to keep services running, and to widen access to computing power. None of those goals is served by an arbitrary limit on its size, and the statute sets none: the FDIC-Tech may acquire any failed firm's working capacity. What the statute does impose is a rule against hoarding. A crash means there are more chips than customers, and idle chips burn electricity while earning nothing. The utility therefore runs what has users and may power down what does not, but capacity left idle for more than 30 days must be offered for sale to buyers under the concentration cap (Section 5.4.5). Capacity that is down for planned maintenance, or already committed to a customer, does not count as idle. The short clock is deliberate. It keeps the government from simply failing to switch a data center on. If there is truly no demand for computing, nobody will want the chips, and the offer costs nothing. If someone does want them, the utility either puts the capacity to work or sells it, and because the dominant firms are barred, the buyers will be smaller competitors. The public holds capacity in order to use it, not to keep it off the market.

An Anchor Customer: The federal government spends billions of dollars a year renting computing power, including from[213] the same three companies that dominate the market.[214] The WGFAA directs federal agencies to move their AI and general computing workloads onto the National Research Cloud as its capacity and security certifications allow. This gives the utility steady revenue from its first day, and every dollar moved is a dollar that no longer reinforces the dominant firms. The Tennessee Valley Authority grew the same way: it sold power commercially, and the federal government was among its largest customers.[215]

Staying Current: AI chips age quickly. Hardware bought in a fire sale is top of the line only until the next chip architecture arrives (the annual releases in between are mid-generation refreshes), and it is written off over five or six years. The utility's charter therefore requires it to set aside a fixed share of its

[213]"GAO-26-107530, CLOUD Computing: Federal Government Needs to Address Procurement Challenges," U.S. Government Accountability Office, June 23, 2026, https://files.gao.gov/reports/GAO-26-107530/index.html. "Federal government spending on contracts for cloud services has grown rapidly over the past 10 years, from $2.3 billion to over $10 billion each year." C. Todd Lopez, "Department Names Vendors to Provide Joint Warfighting Cloud Capability," Chief Information Officer, December 12, 2022, https://dodcio.defense.gov/In-the-News/Article/3267572/department-names-vendors-to-provide-joint-warfighting-cloud-capability/. "The four companies include Amazon Web Services Inc., Google Support Services LLC, Microsoft Corporation and Oracle."

[214]Synergy Research Group, "Q2 Cloud Market Passes $143 Billion; Highest Growth Rate in Eight Years," July 30, 2026, https://www.srgresearch.com/articles/q2-cloud-market-passes-143-billion-highest-growth-rate-in-eight-years. "Q2's worldwide market share was 28%, 20%, and 15%, respectively."

[215]"Congressional Record - Senate," Congressional Record, 88th Congress, 2nd Session, January 8, 1964, https://www.govinfo.gov/content/pkg/GPO-CRECB-1964-pt1/pdf/GPO-CRECB-1964-pt1-2-1.pdf. "TVA sold 27.4 billion kilowatt-hours, about 46 percent of its total sales, to one customer, the Atomic Energy Commission (AEC)."

enterprise-tier revenue (Section 9.4) for replacing hardware, so that the public's computing power does not decay into a museum.

5.4. Compute Licensing and the Chip Registry

Converting failed SITIs is not enough to keep a crash from concentrating computing power. Most of the companies that would fail in an AI bust are not individually systemic; their hardware would pass through ordinary bankruptcy or lender foreclosure, and the natural buyers are the three or four hyperscalers that already own most AI chips.[216] The WGFAA therefore sets a small number of rules for who may own and buy large clusters of advanced AI chips. They are administered by the FDIC-Tech, not by a new agency.

5.4.1. What the Rules Are For

The rules have three jobs. They keep a fire sale from handing the nation's best chips to the companies that already control the most computing power. They give the public first pick of failed firms' data centers. And they make sure that chips from a liquidated cluster do not quietly disappear abroad.

On the last point, no new export regime is needed. Exporting advanced chips to China and other countries of concern already requires a Commerce Department license, and a lender who forecloses on chips cannot lawfully ship them there.[217] The gap is smuggling. It already happens, through shell companies, false paperwork, small resellers, and shipment through third countries; federal prosecutors have brought cases involving hundreds of chips and servers at a time,[218] and investigators believe the documented cases understate the traffic.[219] Once a chip has been sold inside the United States, no law requires anyone to know where it is. A 2023 executive order would have required the largest clusters to report to the Commerce Department,[220] but it was rescinded in January 2025 before the rule took effect.[221] A fire sale — thousands of chips sold in small lots by liquidators whose only goal is cash — is the smuggler's ideal market.

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[216] Luke Emberson, "Five hyperscalers now own over two-thirds of global AI compute," Epoch AI, April 14, 2026, https://epoch.ai/data-insights/hyperscalers-control-most-compute. "Amazon, Google, Meta, Microsoft, and Oracle collectively hold an estimated 71% of the world's cumulative AI compute as of Q4 2025, measured in H100-equivalents of computing power."

[217] "EAR 742," Bureau of Industry and Security, April 30, 2012, https://www.bis.gov/regulations/ear/742. "A license is required to export, reexport, or transfer (in-country) items specified in ECCNs 3A001.z.1.a, z.2.a, z.3.a, z.4.a; 3A090.a"

[218] "U.S. Citizens and Chinese Nationals Arrested for Exporting Artificial Intelligence Technology to China," justice.gov, November 20, 2025, https://www.justice.gov/opa/pr/us-citizens-and-chinese-nationals-arrested-exporting-artificial-intelligence-technology. "Falsifying paperwork, creating fake contracts, and misleading U.S. authorities" "Countering AI Chip Smuggling Has Become a National Security Priority," Center for a New American Security (CNAS), September 25, 2026, https://www.cnas.org/publications/reports/countering-ai-chip-smuggling-has-become-a-national-security-priority. "Multiple chip resellers and start-ups in the PRC"

[219] "Bureau of Industry and Security Fiscal Year 2026 Budget: Export Controls and the AI Arms Race," Committee on Foreign Affairs, U.S. House of Representatives, June 12, 2025, https://www.govinfo.gov/content/pkg/CHRG-119hhrg62140/pdf/CHRG-119hhrg62140.pdf. "Not catching all of it, that there's a lot that goes undetected"

[220] "Executive Order 14110—Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence," Administration of Joseph R. Biden, Jr, October 30, 2023, https://www.govinfo.gov/content/pkg/DCPD-202300949/html/DCPD-202300949.htm. "Companies, individuals, or other organizations or entities that acquire, develop, or possess a potential large-scale computing cluster to report any such acquisition, development, or possession, including the existence and location of these clusters and the amount of total computing power available in each cluster."

[221] "Initial Rescissions of Harmful Executive Orders," Federal Register, January 28, 2025, https://www.federalregister.gov/documents/full_text/html/2025/01/28/2025-01901.html. "The following executive actions are hereby revoked" "United States: AI tug-of-war - Trump pulls back Biden's AI plans," Baker McKenzie, January 28, 2025, https://web.archive.org/web/20260928/https://insightplus.bakermckenzie.com/bm/technology-media-telecommunications_1/united-states-ai-tug-of-war-trump-pulls-back-bidens-ai-plans. "Pursuant to the Biden Order, the Bureau of Industry and Security's (BIS), a Commerce Department agency, published a proposed rule to establish reporting requirements on the development of advanced AI models and computing clusters under its Defense Production Act authority, but had not issued a final rule prior to the revocation of the Biden Order."

5.4.2. The Registry

The FDIC-Tech keeps a national registry of large AI computing clusters: who owns each one, where it is, and who holds loans against it. The model is the Federal Aviation Administration's aircraft registry, which has recorded the ownership of, and the liens filed against, every civil aircraft registered in the country for decades.[222] It is a database, not a permission system. The FDIC-Tech needs the same information anyway to set premiums, designate SITIs, and plan resolutions.

Threshold: Registration applies to anyone who owns or operates 1,000 or more advanced AI accelerators, defined by a stated level of computing performance rather than by maker or model. Chips a company designs for its own use count the same as chips it buys: Google's and Amazon's in-house accelerators are among the largest single blocks of computing power in the country, and a registry that counted only chips bought from outside suppliers would measure both firms at a fraction of their real capacity.[223] Below the line nothing applies. Gaming cards, workstations, university labs, and small company clusters are never touched.

Owner and Operator: Ownership of the hardware and control of it are coming apart. Nvidia has arranged with six of the largest investment managers to raise more than $500 billion through financing vehicles that would hold title to chips and lease them to the companies that run them,[224] and chips leased from one company to another already exist.[225] The registry therefore records both the entity that holds title to a cluster and the entity that operates it, and a lease of registered capacity is itself recorded. A map that showed only the legal owners would be accurate and useless.

Once Registered, Always Tracked: A size threshold invites an obvious trick: break a big cluster into small lots and every lot falls below the line. So chips that have ever been part of a registered cluster stay on the registry by serial number through every resale, whatever the size of the lot — the way a car title follows the car. A startup or university buying a rack of used chips from a registered cluster files a free online notice; there is no license, no fee, and no waiting period.

Early Warning: Restarting a dark data center is far harder than keeping a live one running, and by the time a small operator reaches liquidation its staff may be gone and its machines cold. The owner of a registered cluster must therefore notify the FDIC-Tech when it defaults on a loan secured by the cluster,

[222]"Aircraft Registration," Federal Aviation Administration, accessed September 27, 2026, https://www.faa.gov/licenses_certificates/aircraft_certification/aircraft_registry/about_aircraft_records. "The Aircraft Registry (Registry) collects the information necessary to establish and maintain the record for all United States civil aircraft." "Aircraft Registration," Federal Aviation Administration, accessed September 27, 2026, https://www.faa.gov/licenses_certificates/aircraft_certification/aircraft_registry/clear_titles. "Aircraft records contain any liens, security documents, and releases filed with the Aircraft Registration Branch and found to meet recording requirements."

[223]Luke Emberson, "Google controls the most AI computing power, driven by its custom TPUs," Epoch AI, April 7, 2026, https://epoch.ai/data-insights/google-custom-tpus-ai-compute. "Google held the most compute as of Q4 2025, driven by its in-house-designed TPU chips." "Amazon.com Announces Fourth Quarter Results," U.S. Securities and Exchange Commission, February 5, 2026, https://www.sec.gov/Archives/edgar/data/1018724/000101872426000002/amzn-20251231xex991.htm. "Project Rainier, the world's largest operational AI compute cluster with 500,000+ Trainium2 chips"

[224]"Nvidia Partners With Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs and KKR to Establish AI Compute Infrastructure Financing Platforms to Mobilize Over $500 Billion of Third-Party Capital," August 10, 2026, https://nvidianews.nvidia.com/news/nvidia-partners-with-apollo-blackrock-blackstone-brookfield-goldman-sachs-and-kkr-to-establish-ai-compute-infrastructure-financing-platforms-to-mobilize-over-500-billion-of-third-party-capital. "To mobilize over $500 billion of third-party capital for the buildout of AI infrastructure over time" "AI chip financing: can a leasing model solve the GPU supply problem?" Pinsent Masons, August 17, 2026, https://www.pinsentmasons.com/out-law/analysis/ai-chip-financing-can-a-leasing-model-solve-the-gpu-supply-problem. "A financial vehicle, established by one or more of the participating firms, acquires the chips from Nvidia and leases them to the end user"

[225]"Apollo Backs $5.4 Billion Valor and xAI Data Center Compute Infrastructure Transaction with $3.5 Billion Capital Solution," Apollo Global Management, January 7, 2026, https://ir.apollo.com/news-events/press-releases/detail/599/apollo-backs-5-4-billion-valor-and-xai-data-center-compute. "$5.4 billion acquisition and lease of data center compute infrastructure, including NVIDIA GB200 GPUs, to a subsidiary of xAI Corp"

or when it has less than 60 days of operating cash. Every SITI gives the same notice, whether or not it owns a registered cluster. The notice is confidential. It gives the public time to exercise its first option (Section 5.4.6) while the site is still running.

Better Technology When It Exists: Congress is considering bills that would require advanced chips to be able to verify their own location.[226] If that becomes law, the registry will use it. The registry does not depend on it.

5.4.3. The Owner License

Owning or operating a registered cluster requires a license. The license attaches to the owner, once — not to each chip, each site, or each use — and it is "shall-issue": an owner that meets the published standards for physical security, cybersecurity, and reporting gets the license. The FDIC-Tech does not review what is run on the chips.

The precedents are familiar. From 1946 to 1964 all fissionable material in the United States was owned by the government by law, and private reactors leased it.[227] Today a lender may hold a lien on a nuclear plant but may not take possession of it without the regulator's consent,[228] and a broadcast license cannot change hands without the approval of the Federal Communications Commission.[229] Proposals to account for advanced chips in the way nations account for fissile material are now part of the mainstream debate over AI security.[230] The WGFAA borrows the narrowest piece of those regimes: control over who may hold the hardware.

This is deliberately not a safety regime for what AI systems do. That is a separate and much larger question, and folding it into a crisis-resolution statute would do justice to neither.

[226] "H.R.3447," Congress.gov, March 26, 2026, https://www.congress.gov/bill/119th-congress/house-bill/3447/text. "Not later than 180 days after the date of the enactment of this Act, the Secretary shall require any covered integrated circuit product to be outfitted with chip security mechanisms that implement location verification, using techniques that are feasible and appropriate on such date of enactment, before it is exported, reexported, or in-country transferred to or in a foreign country."

[227] "Atomic Energy Act of 1946," United States Statutes at Large, August 1, 1946, https://www.govinfo.gov/content/pkg/STATUTE-60/pdf/STATUTE-60-Pg755.pdf. "All right, title, and interest within or under the jurisdiction of the United States, in or to any fissionable material, now or hereafter produced, shall be the property of the Commission" Alice Buck, "The Atomic Energy Commission," U.S. Department of Energy, July 1983, https://www.energy.gov/management/articles/history-atomic-energy-commission. "The terms of the Atomic Energy Act enabled the Commission to encourage private industry to build its own nuclear plants, using fissionable material leased from the Government."

[228] "10 CFR Part 50 – Domestic Licensing of Production and Utilization Facilities," U.S. Nuclear Regulatory Commission, January 30, 2025, https://www.nrc.gov/reading-rm/doc-collections/cfr/part050/part050-0081.html. "No creditor so secured may take possession of the facility pursuant to the provisions of this section prior to either the issuance of a license from the Commission authorizing such possession or the transfer of the license."

[229] "47 U.S.C. § 310: License ownership restrictions," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=(title:47%20section:310%20edition:prelim). "No construction permit or station license, or any rights thereunder, shall be transferred, assigned, or disposed of in any manner, voluntarily or involuntarily, directly or indirectly, or by transfer of control of any corporation holding such permit or license, to any person except upon application to the Commission and upon finding by the Commission that the public interest, convenience, and necessity will be served thereby."

[230] Dan Hendrycks, Eric Schmidt and Alexandr Wang, "Superintelligence Strategy," nationalsecurity.ai, March 2025, https://files.nationalsecurity.ai/Superintelligence_Strategy.pdf#page=10. "By treating AI chips as they would fissile material—cataloging each unit, supervising its destination, and guarding against unauthorized diversion—states can deny terrorists or other rogue actors the raw power to train their own weaponizable AI." EOP, "America's AI Action Plan," The White House, July 2025, https://www.congress.gov/119/meeting/house/118623/documents/HHRG-119-JU03-20250918-SD003.pdf. "Explore leveraging new and existing location verification features on advanced AI compute"

[231] "Licensing," U.S. Nuclear Regulatory Commission, accessed September 27, 2026, https://www.nrc.gov/regulations-legislation/how-we-regulate/licensing. "The NRC staff reviews the submission, using standard review plans"

5.4.4. Not Another Nuclear Regulatory Commission

The Nuclear Regulatory Commission is a warning as much as a model. It reviews applications case by case,[231] works without binding deadlines,[232] bills applicants by the hour,[233] and has a mandate centered on safety, under which refusing is always the safe choice.[234] Each of those failures is designed out:

- Bright lines: below the threshold nothing applies, and above it the standards are published in advance
- Clocks: the parties to any transfer of a registered cluster, or of control of a SITI or of a company that owns a registered cluster, file a notice, and the transfer goes ahead after 30 days unless the FDIC-Tech objects in writing — the way the great majority of mergers clear antitrust review today[235]
- A two-sided mandate: the FDIC-Tech answers for access to computing power as well as for stability (Section 5.2.1)
- No hourly fees: the regime is funded from the compute levy (Section 9.2), so the agency has no financial interest in a long review
- Discretion in one place only: a healthy company selling to another healthy company below the cap files a notice and moves on; real judgment is exercised only when the seller has failed or has warned that it is about to

5.4.5. The Concentration Cap

No company that controls more than 5% of the nation's registered AI computing capacity may acquire compute assets out of a bankruptcy, a receivership, or a lender's foreclosure. Capacity is charged to the company that controls its use: a cluster leased from a financing vehicle or another company counts against the lessee, not the owner, so that the same chips are never counted twice. The rule is written into the statute and enforces itself; it needs no case-by-case approval. A sale that breaks it is void, not merely challengeable, and it does not depend on any administration choosing to enforce it: the receiver, any rival bidder, and the attorney general of any state may sue to void the sale and recover the assets.

The model is the nationwide deposit cap, which bars interstate acquisitions that would leave one bank holding more than 10% of deposits at insured institutions nationwide.[236] That cap has one fatal flaw:

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[232] "Fire Grants and Safety Act of 2023; Advance Act of 2024," 118th Congress, July 9, 2024, https://www.congress.gov/118/plaws/publ67/PLAW-118publ67.pdf. "With respect to a combined license for which the applicant has satisfied the requirements described in subsection (b), the Commission shall, to the maximum extent practicable—" "NEIMA Milestone Schedules and Fixed Fee Caps for Requested Activities of the Commission," U.S. Nuclear Regulatory Commission, accessed September 27, 2026, https://www.nrc.gov/about-nrc/generic-schedules. "Will address the EO 14300 policy to establish fixed deadlines for final decisions"

[233] "10 CFR Part 170 – Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services Under the Atomic Energy Act of 1954, as Amended," U.S. Nuclear Regulatory Commission, June 10, 1999, https://www.nrc.gov/reading-rm/doc-collections/cfr/part170/part170-0012. "Full cost fees will be determined based on the professional staff time and appropriate contractual support services expended. The full cost fees for professional staff time will be determined at the professional hourly rates in effect the time the service was provided."

[234] "Mission Guidance," U.S. Nuclear Regulatory Commission, accessed September 27, 2026, https://www.nrc.gov/about-nrc/governing-laws/advance-act/secy-25-0031. "Protects public health and safety and advances the nation's common defense and security"

[235] "Merger Review," Federal Trade Commission, October 31, 2018, https://www.ftc.gov/news-events/topics/competition-enforcement/merger-review. "The vast majority of deals reviewed by the FTC and the Department of Justice are allowed to proceed after the first, preliminary review." "Getting in Sync with HSR Timing Considerations," Federal Trade Commission, August 31, 2017, https://www.ftc.gov/enforcement/competition-matters/2017/08/getting-sync-hsr-timing-considerations. "If the waiting period expires without either agency issuing a request for additional information (Second Request), the parties have met their HSR filing obligation and can consummate the transaction. The agencies will not send a letter or notice that the waiting period has ended."

[236] "12 U.S.C. § 1831u: Interstate bank mergers," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section1831u&num=0&edition=prelim. "The responsible agency may not approve an application for an interstate merger transaction if the resulting bank (including all insured depository institutions which are affiliates of the resulting bank), upon consummation of the transaction, would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States."

an exception for acquiring a failing bank,[237] which is how JPMorgan Chase, already over the cap, was allowed to absorb First Republic in 2023.[238] The WGFAA cap has no such exception. A failing seller is the case it exists for. The Act repeals the banking exception as well (Section 4.1.2).

The cap limits one thing: buying the wreckage. A capped company may still buy as many new chips as it likes from manufacturers and go on growing, and in a glut it will not be short of supply.

Two ways around the cap are closed. The first is leasing. A small company under the cap could buy distressed chips and lease them straight to a giant, which would then control them as surely as if it had bought them. So capacity acquired in a distressed sale may not be leased to a capped company, or dedicated to its use under contract, for five years after the sale, which is most of a chip's working life. The second is getting there first. A giant that cannot buy a failed firm's assets can buy the firm a month before it fails. So once a company has given its early-warning notice (Section 5.4.2), neither its registered clusters nor control of the company may pass to a capped company, whether by purchase, by merger, or by a deal to hire its staff and license its technology. The notice is confidential, so the bar is applied when the parties file their transfer notice (Section 5.4.4): the FDIC-Tech must object. A deal that breaks either rule is void on the same terms as a sale that breaks the cap.

5.4.6. Distressed Sales

When a registered cluster is sold out of a bankruptcy, a receivership, or a foreclosure — whether or not the seller was ever designated a SITI — the following order applies:

1. The public goes first. The assets are offered for sale to every eligible buyer, and the FDIC-Tech has a right of first refusal, exercisable within the 30-day notice period, to acquire them for the National Research Cloud by matching the best eligible bid. It never pays less than the asset-based price defined in Section 7: where the best bid is lower than that price, or there are no bids, it pays the Section 7 price. The purchase is paid for from the Digital Stability Fund, and the public takes whole working sites. A bidder whose winning bid is matched is reimbursed its reasonable costs of bidding, as the opening bidder is in an ordinary bankruptcy sale, so that the public's option does not discourage others from bidding at all.
2. Buyers under the cap go second. Everything the public does not take is sold on the open market to licensed buyers below the 5% line: mid-size cloud companies, startups, universities, and ordinary businesses. Cheap hardware in their hands builds real competitors to the dominant firms, which the government cannot do alone.
3. Companies over the cap are barred.

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[237] "12 U.S.C. § 1828: Regulations governing insured depository institutions," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section1828&num=0&edition=prelim. "Subparagraph (A) shall not apply to an interstate merger transaction that involves 1 or more insured depository institutions in default or in danger of default, or with respect to which the Corporation provides assistance under section 1823 of this title."

[238] "Application by JPMorgan Chase Bank, National Association to purchase certain assets and assume certain liabilities of First Republic Bank," Office of the Comptroller of the Currency, May 1, 2023, https://www.occ.gov/topics/charters-and-licensing/app-by-jp-morgan-chase-bank.pdf. "The nationwide 10 percent deposit concentration limitation does not apply in this case because the Failed Entity is in receivership. 12 U.S.C. § 1828(c)(13)." Nupur Anand et al., "Insight: How JPMorgan's Dimon won the First Republic deal," Reuters, May 2, 2023, https://web.archive.org/web/20231129053734/https://www.reuters.com/business/finance/how-jpmorgans-dimon-won-first-republic-deal-2023-05-02/. "JPMorgan holds more than 10% of the nation's total bank deposits, and federal law prevents a large bank from an acquisition that would put it above that threshold. Acquisitions of failed banks can be exempted from the rule."

Two Hats, Kept Apart: The seller in these sales and the public buyer must not be the same body. The FDIC-Tech acts as receiver with a duty to the failed firm's creditors; the National Research Cloud is a separate public corporation with its own board (Section 8.1), and it is the Cloud, not the receiver, that decides whether to exercise the public's option and at what price. The FDIC has long worn two hats in the same way, as insurer and as receiver,[239] and the courts have accepted the arrangement, treating the two capacities as legally separate.[240] Independent appraisal (Section 7.3) and court review of the price (Section 7.5) sit on top of that separation.

Distressed sales of registered chips must run through approved channels. The receiver, trustee, or lender conducting the sale must verify and record every buyer, as banks already must for their customers, and must offer whole sites and large lots before breaking a cluster into small ones. Small-lot sales are the last resort, and they are where scrutiny concentrates.

Lenders keep their rights but not their choice of buyer. A lender with a lien on a registered cluster may still foreclose, but — like the holder of a lien on a nuclear plant — it may not operate the hardware without a license and may sell it only to a licensed buyer under the cap, after the public has had its option.

A paper registry will not stop a determined smuggler with a clean shell company. It will show exactly whose chips went missing — which today nobody could say.

5.5. Community Innovation Hubs

The WGFAA also funds something that does not wait for a crash and has nothing to do with data centers: places for people to work. A Community Innovation Hub is a building — a community center for starting things. Residents who meet simple criteria sign up for a free membership: people starting a business, freelancers, students, workers retraining after a layoff, local nonprofits. They get a desk, meeting rooms, fast internet, workshops and classes, mentors, small-business counseling, and, above all, other people doing the same thing in the same room.

These places already exist, and they work. The efactory in Springfield, Missouri, run by Missouri State University,[241] opened in 2013 in a converted downtown building with the help of a $2.75 million federal grant awarded in 2009.[242] It offers coworking space, offices, an accelerator, and training.[243] Its clients

[239]"1930–1939," Federal Deposit Insurance Corporation, May 15, 2025, https://www.fdic.gov/history/1930-1939. "With regard to failed bank resolution, the FDIC is required to be the receiver when a national bank fails; the FDIC could serve as receiver when state-chartered banks fail, but it took a number of years before the FDIC routinely served as receiver in such cases."

[240]"DeCell & Associates v. Federal Deposit Insurance Corporation, as Receiver for Guaranty Bank," uscourts.gov, November 1, 1994, https://www.ca5.uscourts.gov/opinions/pub/94/94-20165.CV0.wpd.pdf. "It is well-settled that the FDIC operates in two separate and legally distinct capacities, each with very different responsibilities."

[241]Michelle S. Rose, "The efactory: A place for movers, shakers, dreamers and doers," Alumni News, September 24, 2019, https://blogs.missouristate.edu/bearbulletin/2019/09/24/the-efactory-a-place-for-movers-shakers-dreamers-and-doers/. "The efactory, a Missouri State program, is a unique resource."

[242]"IDEA Commons at Missouri State University Brings Key Players Together to Boost Business Development, Advance Innovation," U.S. Economic Development Administration, May 6, 2018, https://www.eda.gov/impact/success-stories/innovation-and-entrepreneurship/idea-commons-missouri-state-university. "In 2009, EDA supported this regional vision by awarding a $2.75 million grant to help establish The eFactory, a tech-focused entrepreneurship center designed to accelerate startup companies and new small businesses." Michelle S. Rose, "The efactory: A place for movers, shakers, dreamers and doers," Alumni News, September 24, 2019, https://blogs.missouristate.edu/bearbulletin/2019/09/24/the-efactory-a-place-for-movers-shakers-dreamers-and-doers/. "The efactory is in downtown Springfield. It's in a building known as the Missouri State University Robert W. Plaster Free Enterprise Center. Missouri State took over the building, a former poultry processing plant, in 2009. The efactory opened in 2013."

[243]"Workspaces," missouristate.edu, December 19, 2022, https://efactory.missouristate.edu/workspaces/. "We offer flexible office workspace solutions for growing teams. Private offices at the efactory range in size from 150 to 1,300 square feet." "Training and Professional Development

have gone on to create roughly 3,000 jobs as of its 2023 tenth anniversary and raise $153 million in investment,[244] and it has since added a third coworking space.[245] There are hundreds of similar hubs across the country, in old mills, libraries, and storefronts, run by universities, cities, and nonprofits.[246]

What the United States has never done is build them at scale.[247] China did. Its "mass entrepreneurship and innovation" campaign, launched in 2015,[248] helped give China nearly 15,000 startup incubators, the most in the world,[249] and changed the country's culture around starting a company.[250] It also offers a warning: local officials chasing subsidies opened spaces that sat empty, and many closed once the money moved on.[251] Federal support in the United States errs in the other direction. The main program for this purpose, the Economic Development Administration's Build to Scale, is funded at about $50 million a year, for grants ranging from the low hundreds of thousands of dollars up to $5 million; the Small Business Administration's 2025 accelerator competition gave first-stage prizes of $75,000;[252] and the regional Tech Hubs program was authorized at $10 billion but has received a small fraction of that.[253] The country knows how to do this. It funds it at a trickle.

Under the WGFAA:

Home," missouristate.edu, August 14, 2026, https://efactory.missouristate.edu/training/. "We offer many types of training to help jumpstart new businesses all the way through leadership training for seasoned professionals at large corporations."

[244]"As Missouri State University's efactory celebrates 10 years in business, it's adding a third coworking space," KSMU Radio, July 20, 2023, https://www.ksmu.org/news/2023-07-20/as-missouri-state-universitys-efactory-celebrates-10-years-in-business-its-adding-a-third-coworking-space. "Clients have created roughly 3,000 jobs over the years, securing at least $153 million in capital equity for their companies."

[245]"New location offers expanded space for remote workers and entrepreneurs," missouristate.edu, July 19, 2023, https://efactory.missouristate.edu/blog/2023/07/19/new-location/. "At efactory's 10th Anniversary Celebration, efactory announced the opening of a third coworking space at Brick City building 3."

[246]"Small Business Incubators Income Tax Exemption Draft Evaluation," Oklahoma Incentive Evaluation Commission, October 1, 2024, https://oklahoma.gov/content/dam/ok/en/omes/documents/OklahomaSmallBusinessIncubators_Draft_10.1.2024.pdf. "According to estimates from the International Business Incubator Association, there are 1,400 incubators in the U.S." "City of Bloomington Takes Indiana Landmarks' Top Award for Rehabilitation of The Mill," in.gov, May 20, 2019, https://bloomington.in.gov/news/2019/05/20/4086. "The Mill opened as a coworking and business incubator space October 31, 2018. The Mill is being operated by Dimension Mill Inc., an independent 501(c)(3) nonprofit organization"

[247]Nick Maynard, "US Ignite Regional Innovation White Paper," February 2025, https://www.us-ignite.org/wp-content/uploads/2025/02/Regional-Innovation-Hubs-Must-be-Scaled-to-Drive-Economic-Innovation.pdf. "While other nations have dedicated substantial resources to developing large-scale regional innovation ecosystems, the US has only recently begun to implement comparable initiatives"

[248]"China's Innovation Ecosystem," World Economic Forum Global Agenda Council on China, August 2016, https://www3.weforum.org/docs/WEF_GAC_On_China_Innovation_WhitePaper_2016.pdf. "In 2015, China launched a pioneering programme called Mass Entrepreneurship and Innovation."

[249]"非凡"十四五"奋进新征程——"十四五"经济社会发展成就" [Extraordinary Progress on the New Journey — Achievements of the "14th Five-Year Plan" in Economic and Social Development], National Bureau of Statistics of China, June 2, 2026, https://www.stats.gov.cn/zt_18555/ztfx/sswjjshfzcjbg/202606/t20260601_1963836.html. "截至 2024 年底，全国孵化器数量近 1.5 万家" [By the end of 2024, the number of incubators nationwide was nearly 15,000.] "我国科技型企业孵化成果丰硕：孵化超 30 万家企业" [Our country's tech incubation efforts have yielded rich results: over 300,000 enterprises incubated - News Channel], CCTV, May 16, 2025, https://news.cctv.cn/2025/05/16/ARTIC5ZnJ9mNoDPQepsmmCWn250516.shtml. "我国科技型企业孵化器数量全球第一" [Our country's number of science and technology business incubators ranks first in the world.]

[250]Cheng et al., "The Emergence of Startup Ecosystems in China," Springer, Singapore, 2026, https://link.springer.com/chapter/10.1007/978-981-95-6513-9_6. "The MEI initiative has also fostered a cultural shift in China toward greater acceptance of entrepreneurship as a viable and prestigious career path."

[251]Reuters, "Insight - China's innovation economy a real estate bubble in disguise?" marketscreener.com, July 7, 2016, https://www.marketscreener.com/news/latest/Insight-China-s-innovation-economy-a-real-estate-bubble-in-disguise-22640264. "Some local governments have rebranded empty office space as innovation centres." Sixth Tone, "Made in China: The Boom and Bust of Makerspaces," November 8, 2018, https://www.sixthtone.com/news/1003171/made-in-china-the-boom-and-bust-of-makerspaces. "Reacting to the oversupply of so-called makerspaces, the government and venture capitalists began tightening their purse strings."

[252]"SBA Growth Accelerator Fund Competition to Accelerate Innovation-Driven Ecosystem Building with Up to $9 Million in Awards," U.S. Small Business Administration, December 19, 2024, https://www.sba.gov/article/2024/12/19/sba-growth-accelerator-fund-competition-accelerate-innovation-driven-ecosystem-building-9-million. "The Stage One application offers $75,000 in cash prizes to organizations"

[253]"Tech Hubs and Build to Scale (B2S) Program Updates," Congress.gov, September 9, 2026, https://www.congress.gov/crs-product/IF13310. "From FY2023 through FY2026, EDA received a total of $200 million in appropriations for B2S" "FY2024 Build to Scale Program Frequently Asked Questions," U.S. Economic Development Administration, September 2024, https://www.eda.gov/sites/default/files/2024-09/FY24-B2S-FAQs_FINAL.pdf. "The U.S. Congress appropriated funding in the amount of $50M for this competition. EDA expects to make 40-50 awards spanning from the low hundreds of thousands of dollars to the maximum of $5 million."

- Grants go both to existing hubs and to new ones. Cities, counties, tribal governments, libraries, community colleges, universities, and nonprofits apply, and an established hub with a record of results can apply for money to expand.
- Every congressional district is guaranteed at least one funded hub, so that the program reaches rural areas, small cities, and neighborhoods far from any technology industry. The remaining money is awarded competitively.
- Grants cover both buildings and operations, run for several years, and require a modest local match that is waived for distressed communities.
- Funding follows use, not square footage. Hubs report their membership, the businesses started, and the jobs created, and renewal depends on those numbers — the lesson of China's empty incubators.
- The program is run by the Economic Development Administration, which already makes grants of exactly this kind, not by a new office.
- Each hub is governed locally. Where a Public Benefit Bank operates in the same community (Section 4), the two work together: the hub helps a business get started, and the bank lends to it. If a National Research Cloud comes into being (Section 5.3.3), hub members are a natural first audience for its low-cost tier, but the hubs do not depend on it.

The hubs are paid for by the industry, from the day the Act takes effect. When cable television was built out, cities required cable operators — as a condition of using the public's rights of way — to pay franchise fees of up to 5% of their gross cable service revenue,[254] part of which funded community studios where any resident could learn to make television.[255] The same principle later connected the nation's schools and libraries to the internet, through the E-Rate program, paid for by telecommunications carriers.[256] The WGFAA applies it to the AI industry: a Public Access Fee of 1% of U.S. revenue from AI and cloud services, charged to providers above the SITI revenue threshold (Section 5.2.2), is dedicated by statute to the hubs.

[254]"47 U.S.C. § 542: Franchise fees," U.S. Government Publishing Office, https://www.govinfo.gov/content/pkg/USCODE-2020-title47/html/USCODE-2020-title47-chap5-subchapV-A-partIII-sec542.htm. "Any cable operator may be required under the terms of any franchise to pay a franchise fee" "47 U.S.C. § 541: General franchise requirements," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=(title:47%20section:541%20edition:prelim). "Any franchise shall be construed to authorize the construction of a cable system over public rights-of-way"

[255]"Public, Educational, and Governmental (PEG) Access Cable Television Channels: Issues for Congress," everycrsreport.com, October 7, 2011, https://www.everycrsreport.com/reports/R42044.html. "Historically, many jurisdictions imposed a franchise fee of 5% of gross cable revenues on franchisees and then used a portion of those revenues to support PEG operations." "Wyandotte ConneX TV Studio," City of Wyandotte, Michigan, accessed September 27, 2026, https://www.wyandottemi.gov/338/Wyandotte-ConneX-TV-Studio. "Any resident of Wyandotte can take our free video workshop"

[256]"FCC Launches Modernization of E-rate Program to Deliver Students and Teachers Access to High-Capacity Broadband Nationwide," Federal Communications Commission, July 19, 2013, https://docs.fcc.gov/public/attachments/DOC-322288A1.pdf. "By 2005, the E-rate program had successfully connected 94% of U.S. classrooms to the Internet, and by 2006, nearly all public libraries were connected to the Internet (98%)." "The Universal Service Fund: How it Impacts the United States," Federal Communications Commission, August 8, 2024, https://docs.fcc.gov/public/attachments/DOC-404602A1.pdf. "As required by law, telecommunications carriers contribute a portion of their revenues to the Universal Service Fund."

6. Legal Mechanisms for Receivership and Conversion

The implementation of the WGFAA relies on a robust set of legal authorities to carry out the receivership and conversion of failed institutions without lengthy litigation that would allow asset stripping or value destruction.

6.1. Statutory Authority and National Security Review

Direct Statutory Authority: The power to place a failed SITI in receivership and convert it comes from the WGFAA itself. It is tempting to reach instead for the Defense Production Act, but that would be a mistake. The DPA lets the President prioritize contracts and allocate scarce materials; it does not transfer the ownership of a company.[257] When President Truman seized the steel mills in 1952 without clear authority from Congress, the Supreme Court reversed him.[258] With clear authority from Congress the ground is firm. Congress has written special insolvency regimes for banks, for financial companies,[259] and — most to the point — for the bankrupt railroads of the Northeast, whose assets it conveyed in the 1970s to the publicly created Conrail.[260] Creditors sued, and the Supreme Court upheld the conveyance.[261]

What the Constitution Requires: The conversion framework is built to meet four conditions. First, the firm must actually have failed (Section 5.2.1); wiping out the owners of a solvent company would be a taking of their property. Second, secured lenders must receive the value of their collateral, because a lien is property;[262] the Supreme Court struck down a New Deal farm-relief law in 1935 for stripping mortgage

[257] "Chapter 55—Defense Production," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?path=/prelim@title50/chapter55&edition=prelim. "The President is hereby authorized (1) to require that performance under contracts or orders (other than contracts of employment) which he deems necessary or appropriate to promote the national defense shall take priority over performance under any other contract or order, and, for the purpose of assuring such priority, to require acceptance and performance of such contracts or orders in preference to other contracts or orders by any person he finds to be capable of their performance, and (2) to allocate materials, services, and facilities in such manner, upon such conditions, and to such ..." "Evaluating the Defense Production Act," Congress.gov, June 12, 2025, https://www.congress.gov/119/chrg/CHRG-119hhrg60988/CHRG-119hhrg60988.pdf. "As the DPA is currently constructed, it does not allow for the requisitioning of companies."

[258] *Youngstown Sheet & Tube Co. et al. v. Sawyer. Sawyer v. Youngstown Sheet & Tube Co. et al*, 343 U.S. 579 (1952), https://www.law.cornell.edu/supremecourt/text/343/579. "There is no statute that expressly authorizes the President to take possession of property as he did here. Nor is there any act of Congress to which our attention has been directed from which such a power can fairly be implied." "The President's Powers and Youngstown Framework," Constitution Annotated, accessed September 27, 2026, https://constitution.congress.gov/browse/essay/artII-S1-C1-5/ALDE_00013794/. "By a 6-3 vote, the Court held the seizure unconstitutional."

[259] "12 U.S.C. § 1821: Insurance Funds," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=(title:12%20section:1821%20edition:prelim). "The Corporation may... as receiver, place the insured depository institution in liquidation and proceed to realize upon the assets of the institution." "12 U.S.C. § 5384: Orderly liquidation of covered financial companies," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section5384&num=0&edition=prelim. "It is the purpose of this subchapter to provide the necessary authority to liquidate failing financial companies that pose a significant risk to the financial stability of the United States in a manner that mitigates such risk and minimizes moral hazard."

[260] *Blanchette v. Connecticut General Insurance Corporations*, 419 U.S. 102 (1974), https://www.law.cornell.edu/supremecourt/text/419/102. "As a comprehensive solution to a national rail crisis precipitated by the entry into reorganization proceedings under § 77 of the Bankruptcy Act of eight major railroads in the northeast and midwest region of the country, Congress supplemented § 77 with the Regional Rail Reorganization Act of 1973 (Rail Act)." "In the Matter of the Central Railroad Company of New Jersey, Debtor," Justia, January 1, 2002, https://law.justia.com/cases/federal/appellate-courts/F2/579/804/126815/. "On April 1, 1976, the rail properties were finally conveyed to Conrail, and after that date the obligation of the bankrupt railroads to maintain rail services ceased."

[261] Supreme Court of the United States, "U.S. Reports: Regional Rail Reorganization Act Cases, 419 U.S. 102 (1974)," December 16, 1974, https://tile.loc.gov/storage-services/service/ll/usrep/usrep419/usrep419102/usrep419102.pdf. "The suits here were brought by the major creditors and sole shareholder of Penn Central." Eric W. Beshers, "Conrail: Government Creation & Privatization of an American Railroad," World Bank, March 15, 1989, https://documents1.worldbank.org/curated/en/265011468779360450/txt/multi-page.txt. "Of particular significance was the Supreme Court ruling, late in 1974, that upheld the constitutionality of the mandatory conveyance to Conrail of the properties specified in the Final System Plan."

[262] *Cecil W. Armstrong et al., Petitioners, v. United States of America*, 364 U.S. 40, https://www.law.cornell.edu/supremecourt/text/364/40. "We hold that there was a taking of these liens for which just compensation is due under the Fifth Amendment." "Wright v. Union Central Life Insurance Co. et al," United States Reports (U.S. Supreme Court), December 9, 1940, https://www.govinfo.gov/content/pkg/USREPORTS-311/

holders of theirs.[263] What they are owed is the collateral's value on the day of failure — not the amount of the loan. Third, every creditor must receive at least what an ordinary liquidation would have paid. Fourth, the courts have the last word on value: Congress cannot make its own price conclusive, so the valuation formula in Section 7 is the government's offer, and a creditor who believes liquidation would have paid more may sue the United States for the difference. The Conrail precedent is a caution here as well as a comfort — after years of litigation over what the railroads' assets had been worth,[264] the government settled with the Penn Central estate alone in 1980 for some $2.1 billion.[265] In a genuine glut, where liquidation values are low, that exposure is small. It is not zero, and the funds in Section 9 are sized with it in mind.

CFIUS Review: The WGFAA mandates that any proposed sale of a SITI's assets, and any distressed sale of a registered computing cluster, is subject to automatic review by the Committee on Foreign Investment in the United States (CFIUS). This ensures that critical algorithms, training data, model weights, and data centers do not fall into the hands of foreign adversaries. The review occurs automatically; no party need petition for it.

6.2. Shareholder Wipeout and Creditor Discipline

The conversion process ensures that those who financed the bubble — shareholders first, then lenders — bear the cost of its failure, while the public gains lasting assets.

The Shell and the Successor: The FDIC-Tech moves the failed firm's assets and operations — data centers, hardware, software, model weights, customer contracts, and staff — into a new public entity. The old company's shares and its debts stay behind in the shell of the failed firm. The new entity pays the shell the asset-based price defined in Section 7, and that money is distributed to the shell's creditors in order of priority. Whatever debt it does not cover is written off. The government does not assume the failed firm's debts. To do so would be to bail out its lenders, and a bailout of lenders is still a bailout.

Extinguishing Equity: Existing shareholders are wiped out completely. Executive stock options are canceled. This strictly enforces the principle that equity holders — who stood to gain unlimited upside from speculative bets — must bear the full cost of failure. There is no "haircut"; there is a zeroing out.

Secured Lenders: A lender with a lien on hardware or buildings is paid the value of that collateral on the day of failure, as the Constitution requires (Section 6.1), and no more.[266] A fund that lent $10 billion

pdf/USREPORTS-311-273.pdf. "Safeguards were provided to protect the rights of secured creditors, throughout the proceedings, to the extent of the value of the property."

[263] *Louisville Joint Stock Land Bank v. Radford*, 295 U.S. 555 (1935), https://supreme.justia.com/cases/federal/us/295/555/. "As here applied, it has taken from the Bank the following property rights recognized by the law of Kentucky: 1. The right to retain the lien until the indebtedness thereby secured is paid. 2. The right to realize upon the security by a judicial public sale."

[264] "CED-79-78 Information on U.S. Railway Association Contracts With Law Firms," U.S. General Accounting Office, 1979, https://www.gao.gov/assets/ced-79-78.pdf. "These valuations and the method by which they were determined were challenged by creditors and the trustees of the bankrupt estates."

[265] "Government Agrees to Pay Penn Central $2.1 Billion for Properties Given Conrail," The Washington Post, November 17, 1980, https://web.archive.org/web/20170828155059/https://www.washingtonpost.com/archive/business/1980/11/18/government-agrees-to-pay-penn-central-21-billion-for-properties-given-conrail/937c6ad9-2d93-4ffd-93c7-6ab253e85815/. "The agreement, which still must be approved by a special three-judge federal court, places a $1.46 billion value on the Penn Central properties in 1976 dollars. Interest since 1976 at the statutory rate of 8 percent, compounded annually, amounts to $653 million, bringing the total price to be paid Penn Central to $2.113 billion."

[266] "68. The Government As Secured Creditor," justice.gov, December 7, 2018, https://www.justice.gov/archives/usam/civil-resource-manual-68-government-secured-creditor. "The minimum formulation of the secured creditor's constitutional right is that the value of the collateral at the time of the filing of the petition may not be injured by the debtor or by powers derived from the Bankruptcy Code."

against GPUs now worth $3 billion receives $3 billion. The remaining $7 billion becomes an unsecured claim against the shell, where it will recover little or nothing. That loss is not a flaw in the framework. It is the market discipline that reckless lending has escaped for a generation, and the knowledge that it is coming will make credit for speculative build-outs scarcer and dearer long before any crash — which is the point. The choice of how to settle belongs to the receiver, not the lender. The FDIC-Tech may take over a loan and keep making the payments, which makes sense when the collateral is worth more than the debt or the terms are good. It may pay the lender the collateral's current value and keep the hardware free and clear, either in cash or, as a bankruptcy court may already order, in installments with interest over several years. Or it may hand the collateral back and let the lender sell it, subject to the rules on distressed sales (Section 5.4.6). It will choose whichever costs the public least.

Contracts as Collateral: Several of the largest loans behind the build-out are secured by customer contracts as well as by hardware (Section 1.2.5), and a contract is worth something only while the provider keeps delivering.[267] Left to a liquidation, a failed provider goes dark, its customers cancel, and the contract is worth little more than what has already been earned. It is the receiver's freeze and the public's money that keep the contract alive. A lender's claim on a contract is therefore fixed at what the contract would have fetched on the day of failure with no rescue, and everything the contract earns afterward, through the receiver's work and the public's investment, belongs to the public entity. The public keeps the failed firm running; it does not, by doing so, make the lenders whole.

Who Is Paid First: Among unsecured claims, the WGFAA fixes the order of payment in the statute, in advance:

1. Employees, for all earned wages, benefits, and accrued leave
2. Small suppliers and contractors, for the first $250,000 owed to each
3. Customers, whose prepaid credits and service contracts are carried over to the new public entity and honored in full — the counterpart of a bank's depositors
4. Local governments and utilities, for taxes and service bills
5. All other creditors — banks, bondholders, private credit funds, hedge funds, and private equity — in the ordinary order of priority

Congress sets payment priorities of this kind routinely: wages and taxes already rank ahead of general creditors in bankruptcy,[268] and depositors rank ahead of bondholders when a bank fails.[269]

No Favorites After the Fact: What the FDIC-Tech may not do is decide, once a firm has failed, which creditors deserve to be paid. The 2009 rescue of Chrysler drew lasting criticism because secured lenders were

[267] "CoreWeave Closes Landmark $8.5 Billion Financing Facility, Achieving First Investment-Grade Rated GPU-Backed Financing," March 31, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000129/ex991.htm. "The first investment-grade rated financing secured by HPC infrastructure and an associated customer contract."

[268] "11 U.S.C. § 507: Priorities," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title11-section507&num=0&edition=prelim. "(8) Eighth, allowed unsecured claims of governmental units, only to the extent that such claims are for—" "11 U.S.C. § 726: Distribution of property of the estate," Legal Information Institute, https://www.law.cornell.edu/uscode/text/11/726. "(1) first, in payment of claims of the kind specified in, and in the order specified in, section 507 of this title"

[269] "Section 11. Insurance Funds," Federal Deposit Insurance Corporation, May 7, 2026, https://www.fdic.gov/federal-deposit-insurance-act/section-11-insurance-funds. "(i) Administrative expenses of the receiver. (ii) Any deposit liability of the institution. (iii) Any other general or senior liability of the institution."

seen to receive less than a favored creditor ranked below them,[270] and the perception that Washington picks winners among creditors was said to damage confidence in the rule of law.[271] Every preference in the WGFAA is written down before the loans are made, and lenders can price it.

Keeping the Lights On: One exception is practical rather than moral. The receiver may pay in full the creditors it needs in order to keep services running — the power company, critical vendors, the landlord of a site the public entity intends to keep. The FDIC has the same authority under Dodd-Frank, on the same condition: no other creditor may be left with less than a liquidation would have paid.[272]

Executive Clawbacks: Senior executives and directors who were substantially responsible for the failure must return the compensation they received in the five years before it — salary, bonuses, and the proceeds of stock sales alike. For every senior executive, regardless of fault, bonuses and stock-sale proceeds taken in the two years before the failure are recovered automatically. Leadership that extracted hundreds of millions in compensation while steering the firm toward insolvency does not get to keep those winnings.

This is not punitive; it is the restoration of basic market discipline. In a functioning capitalist system, equity holders accept risk of total loss in exchange for unlimited upside, and lenders accept the risk of loss in exchange for interest. For too long, executives, investors, and creditors in systemically important firms have enjoyed the upside while shifting the downside to the public. The WGFAA ends this arrangement.

Current law already allows a smaller clawback. When the FDIC winds down a failed financial giant under Dodd-Frank, it may recover two years of pay, salary included, from the executives and directors substantially responsible.[273] The clawbacks in this Act reach only pay received after the Act becomes law, so in its first five years the window is shorter. That is the version most certain to hold up in court. Courts usually uphold laws that attach new costs to past conduct,[274] but in 1998 the Supreme Court barred a law from making a company pay for the health care of coal miners it had stopped employing more than 25 years before, a cost it could not have foreseen.[275] An executive paid after this Act passes has been told the terms.

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[270] Roe et al., "How the Chrysler Reorganization Differed from Prior Practice," Journal of Legal Analysis, December 1, 2013, https://academic.oup.com/jla/article/5/2/399/858710. "Several major financial creditors insisted that priority in bankruptcy was not respected in the Chrysler bankruptcy."

[271] Warburton and A. Joseph, "Understanding the Bankruptcies of Chrysler and General Motors: A Primer," SSRN, April 19, 2010, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1532562. "Critics of the reorganizations assert that the bankruptcies threaten to undermine the rule of law."

[272] "12 U.S.C. § 5390: Powers and duties of the Corporation," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section5390&num=0&edition=prelim. "All claimants of a covered financial company that are similarly situated under paragraph (1) shall be treated in a similar manner, except that the Corporation may take any action (including making payments, subject to subsection (o)(1)(D)(i)) that does not comply with this subsection, if—" "Title 12—Banks and Banking, Chapter 53—Wall Street Reform and Consumer Protection," U.S. Government Publishing Office, https://www.govinfo.gov/content/pkg/USCODE-2024-title12/html/USCODE-2024-title12-chap53.htm. "A creditor shall, in no event, receive less than the amount that the creditor is entitled to receive under paragraphs (2) and (3) of subsection (d), as applicable."

[273] "12 U.S.C. § 5390: Powers and duties of the Corporation," Office of the Law Revision Counsel, https://web.archive.org/web/20261005/https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section5390&num=0&edition=prelim. "The Corporation, as receiver of a covered financial company, may recover from any current or former senior executive or director substantially responsible for the failed condition of the covered financial company any compensation received during the 2-year period preceding the date on which the Corporation was appointed as the receiver of the covered financial company, except that, in the case of fraud, no time limit shall apply."

[274] *Usery v. Turner Elkhorn Mining Co*, 428 U.S. 1 (1976), https://supreme.justia.com/cases/federal/us/428/1/. "This is true even though the effect of the legislation is to impose a new duty or liability based on past acts."

[275] *Eastern Enterprises v. Apfel*, 524 U.S. 498 (1998), https://supreme.justia.com/cases/federal/us/524/498/. "We conclude that the Coal Act, as applied to petitioner Eastern Enterprises, effects an unconstitutional taking."

6.3. Intellectual Property Preservation

A key legal challenge in tech bankruptcy is the treatment of intellectual property, which may be the firm's most valuable asset but also poses unique risks.

Preventing Deletion: The WGFAA grants the FDIC-Tech the power to issue "preservation orders" that legally prohibit a failing AI company from deleting data or model weights. This overrides any internal "kill switches," contractual obligations to destroy data upon insolvency, or attempts by management to destroy evidence of safety violations. The assets are frozen in place pending conversion.

Algorithmic Disgorgement Exception: While the FTC has used "algorithmic disgorgement" (forced deletion of AI models) as a penalty for privacy violations, the WGFAA creates a "Public Trust Exception."[276] Models trained on illegally gathered data may need remediation, but the underlying model structures and weights can be preserved and "sanitized" for public research use rather than destroyed entirely. The technical knowledge embedded in these systems is not lost; it is redirected to public benefit.

6.4. Leased Data Centers

Much of the physical infrastructure of AI is not owned by the companies that use it.[277] As Section 1.2.2 described, a data center is often held by a separate shell company, financed by bondholders, and leased back to the AI firm or cloud provider. Placing the tenant in receivership would deliver a lease, not a building.

The FDIC-Tech therefore holds the powers the FDIC already holds over a failed bank's contracts.[278] It may take over a lease on its existing terms. It may reject a lease the public entity does not need, leaving the landlord with an ordinary unsecured claim in the shell. And where a site is essential and its lease was written at bubble-era prices, it may acquire the building from the shell company at the asset-based price in Section 7. Where the shell company exists only to keep a failed firm's debt off its books, the FDIC-Tech may treat the two as one.

A Failed Laboratory's Compute Contracts: The same powers apply in reverse. An AI laboratory that fails will hold contracts to buy computing power worth tens or hundreds of billions of dollars from cloud providers and data center operators, far more than a public research institute can use. The receiver may keep such a contract, renegotiate it, or reject it. It keeps only the capacity the public institute needs, at prices renegotiated to the market after the crash, and the provider's claim for the rest is an unsecured claim in the shell. A provider that cannot survive the loss of that contract is itself resolved under this Act.

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[276]Rebecca Kelly Slaughter, "Protecting Consumer Privacy in a Time of Crisis," Federal Trade Commission, February 10, 2021, https://www.ftc.gov/system/files/documents/public_statements/1587283/fpf_opening_remarks_210_.pdf. "Everalbum shows how we can apply this principle to privacy cases where companies collect and use consumers' data in unlawful ways: we should require violators to disgorge not only the ill-gotten data, but also the benefits—here, the algorithms—generated from that data."

[277]Synergy Research Group, "Hyperscale Operators to Account for 67% of all Data Center Capacity by 2031," srgresearch.com, April 7, 2026, https://www.srgresearch.com/articles/hyperscale-operators-to-account-for-67-of-all-data-center-capacity-by-2031. "Almost 60% of that hyperscale capacity is now in own-built, owned data centers with the balance being in leased facilities." "Form 10-K for the Fiscal Year Ended December 31, 2025," CoreWeave, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000104/crwv-20251231.htm. "We lease all of our data centers and certain equipment under lease agreements"

[278]"12 U.S.C. § 1821: Insurance Funds," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=(title:12%20section:1821%20edition:prelim). "The conservator or receiver for any insured depository institution may disaffirm or repudiate any contract or lease— (A) to which such institution is a party; (B) the performance of which the conservator or receiver, in the conservator's or receiver's discretion, determines to be burdensome; and (C) the disaffirmance or repudiation of which the conservator or receiver determines, in the conservator's or receiver's discretion, will promote the orderly administration of the institution's affairs."

6.5. The Pension Protection Facility

The strongest argument for making lenders whole is that their losses are not really theirs. Private credit funds are financed by pension funds, life insurers, and banks.[279] Some bailouts of creditors since 2008 have been sold in part as a rescue of retirees.[280]

The WGFAA answers that argument directly: protect the pensioners, not the loans. Debt held for a pension fund takes the same haircut in the shell as debt held for a hedge fund. Giving it priority would not work in any case. Pension funds are rarely the lender of record — they invest through funds that also hold the money of sovereign wealth funds, billionaires, and insurers, so paying the fund pays them all — and a rule that pension-backed loans get repaid would turn pension money into the favored channel for the most reckless lending in the economy.[281]

Instead, the Act creates a Pension Protection Facility, financed by the same industry levies as the rest of the framework (Section 9.2) and kept entirely separate from the shell. A pension plan that can document losses arising from a WGFAA resolution may draw long-term loans at the Treasury's own rate or, where benefits to current retirees would otherwise be cut, grants. The Facility protects benefits, not fund balances, and its help comes with conditions: full disclosure of the plan's remaining exposure to private credit, and a ceiling on that exposure in the future.

The Facility is aimed chiefly at state and local pension plans, which are among the largest investors in private credit[282] and have no federal backstop of any kind;[283] private-sector pensions are already insured by the Pension Benefit Guaranty Corporation.[284] The precedent is recent. In 2021 Congress created a Special Financial Assistance program for failing union pension plans,[285] which by mid-2026 had approved

[279]Financial Stability Oversight Council, "FSOC 2024 Annual Report," December 6, 2024, https://home.treasury.gov/system/files/261/FSOC2024AnnualReport.pdf. "They hold private credit loans on their balance sheets, invest in funds as limited partners, and are involved in providing credit facilities to private credit funds." International Monetary Fund, "Global Financial Stability Report, April 2024, Chapter 2: "The Rise and Risks of Private Credit," April 16, 2024," April 2024, https://www.imf.org/-/media/Files/Publications/GFSR/2024/April/English/ch2.ashx. "Pension funds and insurers are the main investors in private credit funds globally"

[280]"November 9, 2008," Financial Stability Oversight Board, November 9, 2008, https://home.treasury.gov/sites/default/files/initiatives/financial-stability/about-tarp/finsob/Minutes/FINSOB-Minutes-November-9-2008.pdf. "Protect American jobs, savings and retirement security"

[281]"NBFIs in Focus: The Basics of Private Credit," The Teller Window, October 17, 2025, https://tellerwindow.newyorkfed.org/2025/10/17/nbfis-in-focus-the-basics-of-private-credit/. "These NBFI lenders are typically alternative asset managers, such as private equity firms, who package the loans in different investment vehicles. Other NBFIs—like pension funds, insurance companies, and sovereign wealth funds—then invest in those vehicles." Fang Cai and Sharjil Haque, "Private Credit: Characteristics and Risks," Federal Reserve, February 23, 2024, https://www.federalreserve.gov/econres/notes/feds-notes/private-credit-characteristics-and-risks-20240223.html. "Survey evidence from academic studies show that the largest investors, or Limited Partners (LP), in private credit funds are pension funds, insurance companies, family office, sovereign wealth funds and high net worth individuals."

[282]Fang Cai and Sharjil Haque, "Private Credit: Characteristics and Risks," Federal Reserve, February 23, 2024, https://www.federalreserve.gov/econres/notes/feds-notes/private-credit-characteristics-and-risks-20240223.html. "The Federal Reserve Board's Financial Stability Report (FSR) published in May 2023 showed that, based on Form PF data as of Q4 2021, public and private pension funds held about 31 percent ($307 billion) of aggregate private credit fund assets." John Bakie and Wassyl Abdessemed, "Investor Report H1 2025," Private Debt Investor, 2025, https://media.privatedebtinvestor.com/uploads/2025/07/h1-2025-investor-report-pdi.pdf. "US public pension funds continue to make the largest individual contributions to private credit funds in H1 2025."

[283]"State and Local Government Pension Plans: Governance Practices and Long-term Investment Strategies Have Evolved Gradually as Plans Take On Increased Investment Risk," U.S. Government Accountability Office, August 2010, https://www.gao.gov/assets/a308870.html. "While state and local plans have no guarantor, the majority of states have constitutional provisions prescribing how pension trusts are to be funded, protected, managed, or governed."

[284]"PBGC pension insurance: We've got you covered," Pension Benefit Guaranty Corporation, January 27, 2026, https://www.pbgc.gov/workers-retirees/learn/pension-insurance-coverage. "While we insure most private-sector pension plans, Congress has also defined exceptions that PBGC does not insure."

[285]"American Rescue Plan Act of 2021," 117th Congress (Public Law 117-2), March 11, 2021, https://www.govinfo.gov/content/pkg/PLAW-117publ2/html/PLAW-117publ2.htm. "SEC. 9704. Special financial assistance program for financially troubled multiemployer plans."

some $78 billion in aid covering about 1.8 million participants.[286] That program rescued retirees from their plans' troubles without rescuing anyone's creditors. Policyholders of life insurers are protected by the guaranty funds that every state already maintains; the insurers' investors, like the banks' bondholders, take their losses.[287]

6.6. Aid Means Conversion

A firm on the edge of failure does not wait to miss a payment. It asks Washington for help, and a government that would rather not convert it can simply give that help. The Act closes that route with one rule for all emergency support: **a firm that needs public money to survive has failed.** Any bank, and any systemically important technology company, that receives emergency federal support is placed into receivership and resolved under this Act. Emergency support means a capital injection, a guarantee of its debts, a loan on terms the market would not offer, or the purchase of its assets above their market value. Its shareholders are wiped out, its lenders are paid on the terms in Section 6.2, its executives are subject to clawback, and the institution is converted.

The rule binds every federal agency, and it binds the Federal Reserve by name. The Fed may go on lending against good collateral to solvent institutions through broadly available programs, which is its proper job. It may not create a program whose purpose or effect is to support the debts of failing firms, or the funds that lent to them, outside the terms of this Act.

Ordinary liquidity is not aid. A sound bank borrowing from the Fed's discount window against good collateral, at the posted rate, has not failed. The test is whether the support is something a solvent firm could obtain on the same terms. Nor is a program open to every bank on the same terms aid: deposit insurance does not put a bank into receivership.

Passed in advance, the rule does most of its work by being known. Owners and lenders who know that a rescue means a wipeout have every reason to raise private capital or fix their problems first, and no reason to lobby for a bailout. The Emergency Version, where the rule has to be applied to firms that never expected it, sets out its history and its legal footing at greater length.

7. The Valuation Mechanism

7.1. Protecting the Taxpayer

A critical failure of past bailouts has been the government's willingness to overpay for stakes in distressed financial firms, effectively subsidizing the mistakes of private investors with public funds.[288] The WGFAA

[286] "Multiemployer Defined Benefit (DB) Pension Plans: A Primer," Congress.gov, June 10, 2026, https://www.congress.gov/crs-product/R43305. "As of May 15, 2026, 196 SFA applications from 161 plans covering 1.8 million participants have been approved for SFA. The dollar amount of SFA for these approved plans is approximately $77.9 billion."

[287] "State life and health insurance guaranty association offices," Pension Benefit Guaranty Corporation, September 10, 2021, https://www.pbgc.gov/workers-retirees/learn/state-life-health-insurance-guaranty. "All states, Puerto Rico, and the District of Columbia have guaranty associations that protect policyholders, up to specified limits, in the event an insurance company is financially unable to meet its obligations."

[288] "Valuing Treasury's Acquisitions," Congressional Oversight Panel, February 6, 2009, https://www.govinfo.gov/content/pkg/CPRT-111JPRT47178/pdf/CPRT-111JPRT47178.pdf. "Extrapolating these results using appropriate weighting to all capital purchases made in 2008 under TARP, Treasury paid $254 billion, for which it received assets worth approximately $176 billion, a shortfall of $78 billion."

introduces a strict statutory formula for the acquisition of failed entities that ensures taxpayers get a fair deal.

7.2. The “Asset-Based” Valuation Standard

The government is prohibited from using “market value” or “income-based” valuation approaches, which in a bubble environment are inflated by speculative growth projections and hype-driven goodwill. Instead, the WGFAA mandates an Asset-Based Valuation.

7.3. The Valuation Formula

The price the public entity pays the shell for a failed firm’s assets (Section 6.2) is calculated as:

P = TA + IPproven Where:

- P = Purchase Price
- TA = Tangible Assets at their orderly liquidation value on the day of failure: what the data centers, servers, and GPUs would fetch in a properly marketed sale over a period of 90 days — not the original purchase price, and not the fire-sale price a forced seller would get in a week. If there is a market glut of GPUs, they are valued at the current depressed market rate. Working data centers are valued as working sites, not as the sum of their parts. The value is set by independent appraisers drawn from a standing panel, on the evidence of actual arm’s-length sales: once the chip registry exists (Section 5.4.2), a published index of recorded resale prices by chip model and age; until then, dealer quotations and auction results.
- IPproven = Proven Intellectual Property. This is defined strictly as patents and software with demonstrated, historical revenue generation. It explicitly excludes projected future revenue or “potential” applications.
- Customer contracts are counted within TA on one rule: at what they would have fetched on the day of failure with no rescue, which for a provider whose customers could cancel on its insolvency is little more than the amounts already earned. Revenue the receiver preserves by keeping the firm running is not paid to the lenders (Section 6.2).
- Liabilities are not deducted. The failed firm’s debts stay behind in the shell and are paid out of P, in the order of priority set in Section 6.2. Deducting them would leave nothing for the secured lenders the Constitution protects (Section 6.1).
- Speculative goodwill counts as zero. The formula gives no value to goodwill, brand value, or “hype.” In traditional M&A, goodwill often accounts for the premium paid over fair value; the WGFAA prohibits the taxpayer from paying this premium.

7.4. Implications for Investors

This formula ensures that equity holders and unsecured creditors take a significant loss — as they should in any properly functioning market.

Hardware Realism: If a company spent billions on H100 GPUs that are now worth a fraction of that due to an inventory glut, the government pays the current depressed value, not the purchase price. The company's poor timing is not the taxpayer's problem.

No Payoff for Hype: Investors who bought in at 24x revenue multiples based on future "AGI" promises will be wiped out. The government pays only for the "bricks and mortar" of the digital age — physical infrastructure and proven intellectual property — ensuring the public gets a fair deal on the assets it is acquiring.

Moral Hazard Prevention: By making explicit that speculative valuations will not be honored in a resolution, the WGFAA discourages the bubble dynamics that lead to crisis in the first place. Investors cannot assume that the government will validate their most optimistic projections.

7.5. The Formula, the Courts, and the Licensed Market

The formula is the government's offer, not the final word. As Section 6.1 explains, a secured creditor is owed the current value of its collateral and every creditor is owed at least what liquidation would have paid, and a creditor who believes the formula falls short of that may ask a court to say so. The receiver decides what happens and when, as the FDIC has done in its roughly 90 years as a receiver:[289] which loans it takes over, which it pays off, and what it offers. No court may hold up a conversion while it is under way. Courts decide afterward whether a creditor was paid enough, and their remedy is money, not the unwinding of the conversion. To keep hundreds of creditors from litigating the same questions in courts all over the country, every valuation claim under the Act goes to a single designated federal court, as Congress arranged when it created a special court to value the bankrupt railroads' property for Conrail.[290] The formula is built to survive that test, because it pays precisely what the courts protect: the value of tangible assets in the market as it actually exists on the day of failure.

That market is shaped by the rules in Section 5.4. Fair value is what a willing and eligible buyer would pay. When the companies that dominate computing are barred from distressed sales, the eligible buyers are the public utility and the mid-size firms under the cap, and the price reflects what the hardware is worth to them rather than what a giant would pay to keep it out of a rival's hands. This is not a device for underpaying, and it cannot be one. Where there is a working market in used hardware, the public cannot durably pay less than that market: the right of first refusal works by matching the best eligible bid (Section 5.4.6), and a lender paid less than its collateral would really have fetched will collect the difference in court. The savings the Act produces do not come from buying hardware cheaply. They come from paying nothing for goodwill and projected revenue, and from writing off the gap between what was lent and what the collateral is worth.

[289] Federal Deposit Insurance Corporation, "Annual Report of the Federal Deposit Insurance Corporation," August 15, 1935, https://www.fdic.gov/about/financial-reports/reports/archives/fdic-ar-1934.pdf. "One of the insured banks suspending during 1934 was a national bank, and the Corporation was appointed receiver for this bank, as required by law."

[290] "Regional Rail Reorganization Act Cases," Supreme Court of the United States, December 16, 1974, https://www.govinfo.gov/content/pkg/USREPORTS-419/pdf/USREPORTS-419-102.pdf. "The Rail Act in terms vests the Special Court with the initial responsibility for valuation determinations, subject to review by this Court." "45 U.S.C. § 719: Judicial review," Legal Information Institute, https://www.law.cornell.edu/uscode/text/45/719. "Within 30 days after January 2, 1974, the Association shall make application to the judicial panel on multi-district litigation authorized by section 1407 of title 28 for the consolidation in a single, three-judge district court of the United States of all judicial proceedings with respect to the final system plan."

Two rules of compensation law bear on the price, and they pull in opposite directions. Value created by the government's own demand for a property is excluded from what it must pay, so a lender cannot claim a premium produced by the public's bid.[291] But courts also disregard a fall in value caused by the government's own project, and a lender whose loan predates the Act will argue that the bar on selling to the dominant firms is exactly that.[292] The Act does not depend on winning that argument. Lenders who finance chips after it passes will lend with its rules in view.

8. Governance, Operations, and Democratic Oversight

Converting failed entities into public institutions is only the first step; governing them effectively to serve the public interest is the long-term challenge. The WGFAA establishes governance structures designed to balance expertise, accountability, and democratic legitimacy.

8.1. The Public Corporation Structure

The converted technology companies and the largest converted banks are chartered by the Act as federal public corporations, on the model of the Tennessee Valley Authority: they have no shares, so there is nothing for a later administration to sell, and they may be privatized only by an Act of Congress. Conrail, created by Congress in the 1970s, was sold back to private investors in 1987; the charter is written so that this cannot happen quietly.[293] The charter requires the board of directors to serve a specific public benefit purpose. Local and regional banks are not federal corporations: they belong to their depositors, or to a state or city, and choose their boards as Section 4.1.4 describes. The rules below apply to them as well, except that the rule on fixed terms matters only where directors are publicly appointed.

Fiduciary Duty Shift: The charter will explicitly state that the board's primary fiduciary duty is to the public interest — defined as safety, equitable access, local economic development, and scientific advancement — rather than maximizing shareholder value. This legal insulation protects the organization from market pressures to release unsafe products, cut corners on service, or abandon the communities it serves.

Stakeholder Boards: The boards of the federal public corporations will be composed of a diverse mix of stakeholders:

- Representatives from the scientific and technical community (for AI institutes)
- Representatives from served communities (for the largest banks)
- Civil society organizations focused on relevant policy areas
- Government appointees ensuring public accountability

[291] *United States v. Cors*, 337 U.S. 325 (1949), https://www.law.cornell.edu/supremecourt/text/337/325. "We believe, however, that these exceptions are merely illustrations of a principle which excludes enhancement of value resulting from the government's special or extraordinary demand for the property."

[292] *United States v. Reynolds*, 397 U.S. 14 (1970), https://www.law.cornell.edu/supremecourt/text/397/14. "And it was perceived that to permit compensation to be either reduced or increased because of an alteration in market value attributable to the project itself would not lead to the 'just compensation' that the Constitution requires."

[293] "Federal Assistance to Troubled Industries: Selected Examples," Congress.gov, March 19, 2020, https://www.congress.gov/crs-product/R46277. "It provided for the creation of Conrail—officially the Consolidated Rail Corporation—as a quasi-private for-profit corporation that would take over operations of various bankrupt railroads in the Northeast and Midwest."

- Workforce representatives ensuring employee voice

This structure ensures a plurality of perspectives in decision-making and prevents capture by any single interest group.

Five rules apply to every board:

- An interim board first. A stakeholder board takes months to assemble, and a converted institution has to open on Monday. The receiver appoints a small professional interim board and a chief executive at conversion, as the FDIC does for a bridge bank, and the permanent board is seated within 18 months.[294]
- Fixed terms, not confirmation fights. Publicly appointed directors serve fixed, staggered terms, with no more than a bare majority from one political party, and a director whose term has ended serves until a successor is appointed. Some boards that depend on Senate confirmation sit half empty for years;[295] the Postal Service's board had no confirmed members at all for a stretch in 2016 and 2017.[296]
- Expertise, and no sitting politicians. A majority of every board must have relevant professional experience in banking, computing, or research, and no sitting elected official may serve. Germany's local savings banks came through 2008 well;[297] its large regional public banks, whose boards were full of politicians,[298] lost tens of billions in the crisis, partly on American mortgage securities.[299] The narrow mandate in Section 4.1.3 is the first defense against that; the composition of the board is the second.
- Ordinary supervision. A Public Benefit Bank is examined and supervised like any other bank, by the same regulators and to the same standards. Who owns it makes no difference.
- No return for the responsible. A director or executive found substantially responsible for a failure may not serve at any institution converted under this Act, in addition to the industry-wide bans regulators can already impose.[300]

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[294]"Section 11. Insurance Funds," Federal Deposit Insurance Corporation, May 7, 2026, https://www.fdic.gov/federal-deposit-insurance-act/section-11-insurance-funds. "A bridge depository institution, upon the granting of its charter, shall be under the management of a board of directors consisting of not fewer than 5 nor more than 10 members appointed by the Corporation." "FDIC Establishes Signature Bridge Bank, N.A., as Successor to Signature Bank, New York, NY," Federal Deposit Insurance Corporation, March 12, 2023, https://www.fdic.gov/news/press-releases/2023/pr23018.html. "The FDIC named Greg D. Carmichael as CEO of Signature Bridge Bank, N.A."

[295]Export-Import Bank of The United States, "EXIM's Implementation of Key Provisions of the 2015 Reform and Reauthorization Act," exim.gov, May 23, 2019, https://img.exim.gov/s3fs-public/oig/reports/Final%20Memo%20Report%20-%20EXIM%27s%20Implementation%20of%20Key%20Provisions%20of%20the%202015%20Reauthorization%20Act.pdf. "From July 2015 to April 2019, the Bank did not have more than two serving board members, thus no quorum existed."

[296]United States Postal Service Office of Inspector General, "Semiannual Report to Congress - Spring 2017," March 2017, https://www.uspsoig.gov/sites/default/files/reports/2023-01/SARC_Spring_2017_0.pdf. "The last remaining governor left the board on December 8, 2016, when his holdover term expired, leaving the Postal Service in the unprecedented situation of having no presidentially-appointed governors."

[297]Deutsche Bundesbank, "The performance of German credit institutions in 2008 - September 2009," Deutsche Bundesbank Monthly Report, September 2009, https://www.bundesbank.de/resource/blob/622344/85de857f6d391e773c0bf54bfadf7133/mL/2009-09-performance-credit-institutions-data.pdf. "It was notably the institutions active in retail business (savings banks, credit cooperatives and regional banks) that were able to post a positive result even in a year of crisis."

[298]Hau et al., "Subprime crisis and board (in-)competence : private vs. public banks in Germany," CESifo Working Paper, May 2009, https://www.econstor.eu/bitstream/10419/30423/1/603311164.pdf. "The practice of having politicians and politically appointed bureaucrats as owner representatives in the supervisory boards."

[299]Ifo Institute for Economic Research, "Driving Factors of the Subprime Crisis and Some Reform Proposals," CESifo DICE Report, 2008, https://www.ifo.de/DocDL/dicereport308-forum3.pdf. "By May 2008, the Landesbanken had reported writedowns of USD 21 billion" Martin Hellwig, "Germany and the Financial Crises 2007 – 2017," Sveriges Riksbank, June 2018, https://www.riksbank.se/globalassets/media/konferenser/2018/germany-and-financial-crises-2007-2017.pdf. "Additional risk taking by the Landesbanken also took the form of investments in mortgage-related securities (MBS and ABS CDOs) in the United States"

[300]"§ 1818. Termination of status as insured depository institution," United States Code, accessed September 28, 2026, https://www.govinfo.gov/link/uscode/12/1818. "Any person who, pursuant to an order issued under this subsection or subsection (g), has been removed or suspended from office in an insured depository institution or prohibited from participating in the conduct of the affairs of an insured depository institution may not, while such order is in effect, continue or commence to hold any office in, or participate in any manner in the conduct of the affairs of — (i) any insured depository institution"

What the Act Does Not Promise: The Act does not promise that the directors of the federal public corporations are beyond a President's reach, because that is no longer a promise Congress can be sure of keeping. In June 2026, in Trump v. Slaughter, the Supreme Court held that officials who exercise executive power must be removable by the President at will,[301] and it struck down the protection Congress had given the members of the Federal Trade Commission.[302] It kept an exception for the Federal Reserve.[303] Whether the directors of a public bank or a public computing utility exercise executive power in that sense has not been decided, and the Act is written to work either way. What protects these institutions is not the tenure of their directors. It is what the statute fixes and no board can change: the mission and the list of barred activities, the rule that nothing can be privatized without an Act of Congress, ordinary bank supervision, and the public record of what each institution does. Local and regional banks are outside the question altogether, because their depositors choose their boards. None of this makes the plan safe from a hostile administration. A President who wanted these institutions to fail could appoint directors who would run them badly, and no statute prevents that. The plan will work under an administration that wants it to work, and it is written for one.

Compensation Structure: To retain talent, particularly for AI research institutes competing with private sector salaries, the WGFAA authorizes competitive compensation bands tied to private sector rates. However, compensation is capped at reasonable multiples of median worker pay, and equity-equivalent structures (such as deferred compensation tied to public benefit metrics) replace stock options tied to share price.

8.2. Civic Data Trusts

To manage the massive datasets held by converted AI firms, the WGFAA establishes Civic Data Trusts.

Fiduciary Stewardship: User data and training data are transferred into a trust structure. The trust owes a fiduciary duty to the data subjects (the public), not to the corporation using the data. Trustees are legally obligated to act in the interest of data subjects, not institutional convenience.

Democratic Governance: The trust establishes mechanisms for public input and democratic oversight regarding how data is used. It can negotiate the terms under which data is accessed for training, ensuring privacy protections and fair treatment of data creators. Unlike the current regime — where users surrender data rights in unreadable terms of service — the trust gives the public a meaningful voice in data governance.

[301] "25-332 Trump v. Slaughter (06/29/2026)," Supreme Court of the United States, June 29, 2026, https://www.supremecourt.gov/opinions/25pdf/25-332_qn12.pdf. "All we do today is recognize what has been clear for a century—that those who fall within the President's 'general administrative control' must be removable by the President at will."

[302] "Trump v. Slaughter and the Future of For-Cause Removal," Congress.gov, accessed October 4, 2026, https://www.congress.gov/crs-product/LSB11448. "The Court's decision in Slaughter renders the provisions limiting the removal of FTC commissioners, including Rebecca Slaughter, no longer applicable."

[303] "Trump v. Slaughter and the Future of For-Cause Removal," Congress.gov, accessed October 5, 2026, https://www.congress.gov/crs-product/LSB11448. "In particular, the Court identified the Federal Reserve as outside the ambit of its decision, although on the same day Slaughter was issued, the Court issued its decision in Trump v. Cook, upholding the constitutionality of removal protections for Federal Reserve Board of Governors members because of the Federal Reserve's 'distinct historical tradition."

Transparency Requirements: The trust publishes regular reports on data holdings, uses, and access grants. Researchers and the public can understand what data exists and how it is being used, replacing the current opacity with democratic accountability.

8.3. Operational Resilience and Continuity of Service

Keeping a failed bank open over a weekend is a solved problem. Keeping a failed AI company running is harder, for two reasons: a failed bank roughly pays its own way from Monday morning, while an AI company may be losing money every day; and an AI company's most important assets can walk out of the door. The WGFAA prepares for both before any failure occurs.

Continuity Protocols: All SITIs are required to maintain detailed technical documentation, code escrow arrangements, and service continuity protocols for critical APIs, as part of the Conversion Planning described in Section 5.3. If a private SITI fails and enters conversion, these preparations ensure a seamless transition. Customers experience no service interruption; the conversion happens behind the scenes.

Escrowed Access: Whoever holds a system's master credentials can lock everyone else out of it. Every SITI must keep emergency administrative access to its critical systems in escrow with the FDIC-Tech, tested at least once a year, so that the receiver controls the systems from the first hour and the security of model weights does not depend on the goodwill of departing staff.

Keeping the People: At AI companies much of an engineer's pay is stock, and conversion has just made that stock worthless.[304] The dominant firms will be recruiting the failed firm's staff by Monday morning. The charter's ban on mass layoffs protects workers from the institution; it cannot stop them from leaving it. From the first day of a conversion, the FDIC-Tech therefore pays retention bonuses from the Digital Stability Fund to the operations, security, and research staff needed to keep services running, and the compensation bands described in Section 8.1 take effect immediately.

Stop the Burn, Keep the Service: Continuity of service does not mean that the public funds a failed company's growth strategy. Most of an AI company's losses come from training the next model and building ahead of demand; serving existing paying customers is far closer to covering its own costs. The receiver halts speculative spending at once, keeps critical users and paying customers running without interruption, and brings free consumer tiers into line with what the public mission can support, by pricing them or limiting them.

Paying as It Goes: The automatic freeze (Section 5.2.1) stops power companies, landlords, and suppliers from cutting off a firm in receivership over its old debts, but they will keep serving it only if they are paid from that day forward. The receiver pays current bills in full from the Digital Stability Fund and its Treasury backstop (Section 9.2). Old bills wait in the shell with the other creditors.

Hosted Services: Many AI labs own little hardware and run on computing power rented from a cloud provider — which, when the lab fails, becomes one of its unpaid creditors. The freeze bars the host from cutting off service; the receiver pays the host for service going forward. If the host is itself failing, the FDIC-Tech resolves the two together.

[304] Preston Fore, "OpenAI is paying workers $1.5 million in stock-based compensation on average, the highest of any tech startup in history," Fortune, February 18, 2026, https://finance.yahoo.com/news/openai-paying-workers-1-5-154647420.html.

An Operator of Last Resort: The FDIC does not run the banks it resolves with its own staff. It keeps the failed bank's employees and installs an experienced outside chief executive drawn from a roster vetted in advance. The FDIC-Tech does the same. For deep operational support it turns to the Department of Energy's national laboratories, which already operate the highest-ranked supercomputers in the country and serve as operator of last resort and as a source of seasoned managers for converted computing facilities.[305]

Safety Standards: Public AI research institutes adopt the highest standards of AI safety testing, interpretability research, and transparency. They serve as the gold standard for responsible AI development, demonstrating that safety and capability are not in tension. Their practices pressure the surviving private sector to raise its own standards through competitive pressure.

Workforce Retention: Converted institutions are prohibited from mass layoffs as a condition of their charters. Workforce retention is part of the public mission. Employees of failed private firms become employees of public institutions, preserving human capital and preventing the brain drain that would otherwise follow a major industry collapse.

9. Economic Viability

9.1. Funding the Digital Commons

A sustainable public banking and AI sector requires a funding model that does not rely on perpetual taxpayer injections. The WGFAA proposes a self-funding ecosystem where the industries creating systemic risk pay for the mechanisms that address it.

9.2. The Compute Tax and Digital Stability Fund

To fund the FDIC-Tech and the ongoing operations of public compute utilities, the WGFAA introduces specific levies on the AI sector.

Compute Tax: A progressive tax is levied on high-end AI chips (e.g., GPUs, TPUs) and large-scale model training runs. This tax targets the excessive use of compute resources, encouraging efficiency while generating revenue from the activities creating systemic risk. Small-scale research and educational use is exempted; the tax falls on industrial-scale speculation.

Digital Stability Fund: Similar to the Deposit Insurance Fund (DIF) that backs FDIC guarantees, SITIs pay risk-based premiums into a Digital Stability Fund. The riskiest actors — those with the most leverage, the most dangerous models, or the poorest safety records — pay the highest premiums. This fund covers the costs of future resolutions, ensuring the program is self-sustaining without general tax revenue.

G-SIB Surcharges: For the banking side, a surcharge on the deposit insurance premiums of Global Systemically Important Banks ensures the financial sector pays for its own stabilization. The largest banks, whose activities create the most systemic risk, bear the greatest cost.

[305] "June 2026," top500.org, June 2026, https://top500.org/lists/top500/2026/06/. "The El Capitan system at the Lawrence Livermore National Laboratory, California, USA, moves to No. 2 on the TOP500."

Treasury Backstop: A fund built from annual premiums will be nearly empty in its first years, and a crash will not wait for it to fill. The Digital Stability Fund may therefore borrow up to $100 billion from the Treasury, to be repaid with interest from future levies and premiums within 10 years. If the Secretary of the Treasury certifies to Congress that pending resolutions require more, the line rises to $250 billion and the repayment period to 15 years; Section 9.3 explains when that would happen. This is how the FDIC's own insurance fund is backstopped,[306] and how Dodd-Frank funds the resolution of failed financial companies: the Treasury lends, and the industry repays.[307] The public's money is at risk for a time. It is not spent.

Legal Defense: Lenders and shareholders will sue. As on the banking side (Section 4.1.4), the Fund pays the cost of defending conversions and of any court judgment that a creditor was owed more than the formula paid, so that neither falls on the converted institutions or on taxpayers.

Pension Protection Facility: A fixed share of the compute tax and of the G-SIB surcharge is set aside for the Pension Protection Facility (Section 6.5), which may also draw on the Treasury backstop.

Registry and Licensing: The chip registry and owner licenses (Section 5.4) are funded from the compute tax. No fees are charged to applicants.

Public Access Fee: A fee of 1% of U.S. revenue from AI and cloud services, charged to the largest providers, is dedicated to the Community Innovation Hubs (Section 5.5), on the model of the franchise fees that funded public access television.[308] It is collected from the day the Act takes effect.

9.3. How Big Is the Bill?

No one can know the cost of a crash in advance, but the orders of magnitude can be bounded. Morgan Stanley estimates, in its July 2025 projection, that global data center capex will total about $2.9 trillion through 2028, of which roughly $1.5 trillion, the gap left after hyperscaler cash flows, must come from outside financing — including some $800 billion from private credit.[309] The largest technology companies fund their share from profits and unsecured bonds, and they are not going to fail. The debt that could land in a WGFAA resolution sits elsewhere: with the GPU-rental companies, the largest of which alone carried more than $35 billion in debt in mid-2026;[310] with the project financings behind the AI labs' and

[306] Diane Ellis, "Deposit Insurance Funding: Assuring Confidence," Federal Deposit Insurance Corporation, November 2013, https://www.fdic.gov/deposit/insurance/assuringconfidence.pdf. "The FDIC also has authority to borrow up to $100 billion for insurance losses from the U.S. Treasury. The law requires the banking industry to repay any FDIC funds borrowed from the Treasury over a period of several years."

[307] "Dodd-Frank Wall Street Reform and Consumer Protection Act," 111th Congress (Public Law 111-203), July 21, 2010, https://www.govinfo.gov/content/pkg/PLAW-111publ203/html/PLAW-111publ203.htm. "All funds expended in the liquidation of a financial company under this title shall be recovered from the disposition of assets of such financial company, or shall be the responsibility of the financial sector, through assessments." "12 U.S.C. § 5390: Powers and duties of the Corporation," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section5390&num=0&edition=prelim. "Upon appointment by the Secretary of the Corporation as receiver for a covered financial company, the Corporation is authorized to issue obligations to the Secretary."

[308] "Public, Educational, and Governmental (PEG) Access Cable Television Channels: Issues for Congress," everycrsreport.com, October 7, 2011, https://www.everycrsreport.com/reports/R42044.html. "Historically, many jurisdictions imposed a franchise fee of 5% of gross cable revenues on franchisees and then used a portion of those revenues to support PEG operations."

[309] Vishwas Patkar et al., "Bridging a $1.5tr Data Center Financing Gap," Morgan Stanley Research, July 16, 2025, https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/Research_Bridging-Data-Center-Gap.pdf. "We forecast $2.9tr of capex for global data centers (DC) through 2028 across build and hardware costs."

[310] "Form 10-Q for the Fiscal Quarter Ended June 30, 2026," CoreWeave, June 30, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000366/crwv-20260630.htm. "As of June 30, 2026, our total indebtedness was $35.6 billion" Edward Chancellor, "Breakingviews - Commentary: Data centre upstarts evoke earlier broadband craze," Reuters, September 10, 2026, https://www.reuters.com/commentary/breakingviews/data-centre-upstarts-evoke-earlier-broadband-craze-2026-09-10/. "CoreWeave, the largest of the group"

hyperscalers' data centers, which run from roughly $10 billion to nearly $30 billion for a single campus;[311] and with the cloud providers that have borrowed heavily against a single customer's promise to pay.[312]

On that basis New Consensus estimates three scenarios:

- Narrow, in which two GPU-rental companies and one AI lab fail: an illustrative $30 billion to $60 billion in debt at face value, though if CoreWeave is one of the two, its roughly $35 billion of debt at June 30, 2026 would on its own put the total above the low end.[313]
- Middle, the GPU-rental sector fails and the labs' project financings default: on our rough estimate, $150 billion to $285 billion, where the high end is the whole stock (about $250 billion of AI project and data-center financing outstanding today plus some $35 billion borrowed against chips) and the low end assumes only about half of it goes into resolution.[314]
- Wide: a major cloud provider fails as well, on our rough estimate $300 billion to $400 billion or more (for scale, large US banks had about $450 billion in AI-related loan commitments at end-2025, which the Chicago Fed treats as a ceiling on direct losses, not an expected loss).[315]

Those are the lenders' numbers, not the public's. Under the WGFAA the public pays only what the assets are worth on the day of failure (Section 7). How much that is depends on a number nobody can know in advance: what used hardware is worth in a crash. If demand for computing collapses and used chips fetch 20 to 40 cents on the dollar, a rough reckoning from the three cases above puts the public's outlay on the order of $10 billion to $25 billion in the narrow case, $50 billion to $100 billion in the middle case, and $100 billion to $200 billion in the wide case. But the resale market for data center chips is active,[316] and before any crash used chips of recent generations have traded well above that.[317] On our own rough arithmetic, if hardware holds 50 to 70 cents on the dollar, each of those figures roughly doubles, the middle case reaches something like $100 billion to $200 billion, and the Treasury line has to be raised as Section 9.2 provides. Buildings with secured power connections hold their value better than chips in either case. The public cannot choose the lower number: it pays what the market shows the assets to be

[311] "Financing AI infrastructure and U.S. data centers," J.P. Morgan, August 10, 2026, https://www.jpmorgan.com/insights/banking/capital-markets/financing-ai-infrastructure-data-centers. "J.P. Morgan originated $9.6 billion across two construction loans for the initiative's Abilene, Texas campus" Reuters, "Meta set to clinch nearly $30 billion financing deal for Louisiana data center site, Bloomberg News reports," October 16, 2025, https://www.reuters.com/legal/transactional/meta-set-clinch-nearly-30-billion-financing-deal-louisiana-data-center-site-2025-10-16/.

[312] "IREN Closes $3.65bn Investment-Grade GPU Financing," June 1, 2026, https://irisenergy.gcs-web.com/news-releases/news-release-details/iren-closes-365bn-investment-grade-gpu-financing. "The facility is secured against the GPUs and associated contracted cash flows." "CoreWeave Closes Landmark $8.5 Billion Financing Facility, Achieving First Investment-Grade Rated GPU-backed Financing," coreweave.com, March 31, 2026, https://investors.coreweave.com/news/news-details/2026/CoreWeave-Closes-Landmark-8-5-Billion-Financing-Facility-Achieving-First-Investment-Grade-Rated-GPU-backed-Financing/default.aspx. "Financing secured by HPC infrastructure and an associated customer contract"

[313] "Form 10-Q for the Fiscal Quarter Ended June 30, 2026," CoreWeave, June 30, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000366/crwv-20260630.htm. "As of June 30, 2026, our total indebtedness was $35.6 billion"

[314] Stefan Hepp, "How Worried Should We Be About AI Debt?" The University of Chicago Booth School of Business, August 7, 2026, https://www.chicagobooth.edu/review/how-worried-should-we-be-about-ai-debt. "Project and data-center finance adds another $250 billion or so, typically tied to specific facilities and contracted tenant cash flows, with materially shorter maturities."

[315] "Tail Risk for Banks Posed by Investments in Generative Artificial Intelligence," Chicago Fed Insights, 2026, https://www.chicagofed.org/publications/chicago-fed-insights/2026/ai-tail-risk-for-banks. "Generally, large bank debt makes up a fraction of overall AI-adjacent debt; for instance, it made up around $450 billion in commitments ($150 billion of which was outstanding) in C&I exposure in late 2025."

[316] Krystal Hu, "Artificial Intelligencer: The case for selling Nvidia," Reuters, November 13, 2025, https://www.reuters.com/technology/artificial-intelligence/artificial-intelligencer-case-selling-nvidia-2025-11-13/. "Yet the market for secondhand GPUs remains surprisingly resilient."

[317] Silicon Data Inc., "The Illusion of Stability: Unpacking H100 GPU Market Value Trends," Silicon Data, January 30, 2026, https://www.silicondata.com/use-cases/h100-gpu-market-value-trends. "USED H100s traded at a median of ~61% of the contemporaneous NEW price"

worth (Section 7.5). Whichever number turns out to be right, the public receives working assets of that value in return, and the difference between that value and what was lent is absorbed by the lenders who made the loans.

For comparison, Congress authorized up to $700 billion for the Troubled Asset Relief Program in 2008, later reduced to $475 billion by the 2010 Dodd-Frank Act,[318] and the FDIC's insurance fund held $161.1 billion as of June 30, 2026.[319] The middle case is large, but it is not frightening — provided the Treasury backstop exists to cover it up front. A compute tax of a few percent on annual AI chip sales might raise something like $5 billion to $10 billion a year, which on rough arithmetic would repay the middle case within one to two decades on its own, depending on how far hardware values fall.[320] The premiums paid by the largest technology companies have to be set to close the gap, so that the whole is repaid within the 10 to 15 years that Section 9.2 allows.

The Banks: The scenarios above cover the technology companies. The bank side can be bounded from the record, because the FDIC publishes every failure of an insured bank.[321] Two different sums are involved.

The first is the hole in a failed bank: the gap between what its assets are worth and what it owes its depositors. The banking industry has always paid for that through the FDIC, and under the Act it still does.[322] In the six years from 2008 through 2013, 489 banks failed with $686 billion in assets,[323] and the cost to the insurance fund was about $69 billion, a tenth of those assets.[324] The five failures of 2023 had $532 billion in assets[325] and, on the FDIC's latest estimates, cost about $35 billion: $18 billion charged to the insurance fund,[326] and about $17 billion billed to large banks through a special assessment.[327] Insuring every deposit raises that bill somewhat, because large depositors no longer share in the loss, which is why the premiums rise with it (Section 4.1.3).

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[318] "Troubled Asset Relief Program," U.S. Department of the Treasury, accessed September 27, 2026, https://home.treasury.gov/data/troubled-asset-relief-program. "Although Congress initially authorized $700 billion for TARP in October 2008, that authority was reduced to $475 billion by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)."

[319] "Quarterly Banking Profile: Banking net income $90.1B in Q2 2026," ABA Banking Journal, August 25, 2026, https://bankingjournal.aba.com/2026/08/quarterly-banking-profile-banking-net-income-90-1b-in-q2-2026/. "The Deposit Insurance Fund balance increased $3.7 billion to $161.1 billion."

[320] "Gartner: Worldwide Semiconductor Revenue Grew 21% in 2025," iconnect007.com, January 12, 2026, https://iconnect007.com/article/148381/gartner-worldwide-semiconductor-revenue-grew-21-in-2025/148378/flex. "In 2025, HBM represented 23% of the DRAM market, surpassing $30 billion in sales while AI processors exceeded $200 billion in sales."

[321] "BankFind Suite," Federal Deposit Insurance Corporation, accessed October 5, 2026, https://banks.data.fdic.gov/bankfind-suite/failures/help. "Data on depository institutions not insured by the FDIC are not included in this publication."

[322] Diane Ellis, "Deposit Insurance Funding: Assuring Confidence," Federal Deposit Insurance Corporation, November 2013, https://www.fdic.gov/deposit/insurance/assuringconfidence.pdf. "The banking industry, backstopped by the federal government, ultimately covers the risk associated with the deposit insurance system."

[323] "Crisis and Response: An FDIC History, 2008–2013," Crisis and Response: An FDIC History, 2008–2013, accessed October 4, 2026, https://www.fdic.gov/sites/default/files/2024-03/chap6.pdf. "The 489 failed banks held $686 billion in assets and, according to the most recent estimates, cost the FDIC $72.5 billion to resolve."

[324] "Three Financial Crises and Lessons for the Future," Federal Deposit Insurance Corporation, January 14, 2025, https://www.fdic.gov/news/speeches/2025/three-financial-crises-and-lessons-future. "These failures would eventually cost the Deposit Insurance Fund approximately $69 billion."

[325] "FDIC 2023 Annual Report," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/about/financial-reports/reports/2023annualreport/2023-arfinal.pdf. "Total assets and total deposits data are based on the last quarterly Call Report filed by the institution prior to failure."

[326] "Assessments Thresholds, Rate Schedules, and Adjustments," Federal Deposit Insurance Corporation, June 30, 2026, https://www.govinfo.gov/content/pkg/FR-2026-06-30/pdf/2026-13192.pdf. "In 2023, five banks failed with estimated losses to the DIF of $18.0 billion, excluding losses that are being recovered through the special assessment." "FDIC 2025 Annual Report," Federal Deposit Insurance Corporation, 2025, https://www.fdic.gov/financial-reports/2025-annual-report.pdf. "Estimated amounts for the 2023 and 2024 failures were updated as of December 31, 2025."

[327] "Special Assessment Pursuant to Systemic Risk Determination," Federal Deposit Insurance Corporation, April 17, 2026, https://www.fdic.gov/deposit-insurance-assessments/special-assessment-pursuant-systemic-risk-determination. "Currently, the FDIC estimates the total cost of the failures of Silicon Valley Bank and Signature Bank that must be recovered through the special assessment is approximately $16.7 billion."

The second sum is new: the capital a converted bank needs in order to keep operating. At 8% to 10% of assets, a wave the size of 2023 would call for $43 billion to $53 billion, and one the size of 2008 through 2013 for $55 billion to $69 billion spread over six years. In ordinary years the figure is close to nothing: from 2014 through 2022 about five banks failed a year on average, with under $2 billion in assets among them.[328] This is capital, not a loss. It stays inside a working bank, and much of it never has to be paid in cash, because a converted bank may open with a gap on its books and close it from earnings (Section 4.1.4). The capitalization fund, at about $9 billion a year, is sized for a wave like 2023; a larger one draws on its Treasury line of up to $75 billion (Section 4.1.4), which is enough for a wave the size of 2008 through 2013.

One case is of a different order. In 2008 and 2009 the government kept the banks of Citigroup and Bank of America open with federal assistance;[329] together they held $3.2 trillion in assets.[330] Under this Act, where aid means conversion (Section 6.6), a bank in that position is converted, and 8% of $3.2 trillion is about $256 billion. No fund built from premiums covers that, and none is meant to. The eight largest banks are required to carry their own cushion: capital and long-term debt equal to at least 18% of their risk-weighted assets, with long-term debt alone at least 6% plus a surcharge set for each bank, issued for the stated purpose of absorbing losses when the bank fails.[331] When such a bank is converted, that debt is left behind in the receivership (Section 4.1.3), and writing it off is what recapitalizes the bank. The capitalization fund stands behind that debt. It does not replace it.

9.4. Revenue Generation

Public utilities are not profit-maximizers, but they can and should be revenue-positive. The WGFAA structures converted entities to generate operating revenue that sustains their public mission.

Tiered Access Pricing: Public Compute Utilities charge commercial rates to enterprise users while offering subsidized or free tiers to academic researchers, non-profits, small businesses, government at

[328]"FDIC Quarterly Banking Profile - Fourth Quarter 2020," Federal Deposit Insurance Corporation, January 2021, https://www.fdic.gov/analysis/quarterly-banking-profile/qbp/2020dec/qbp.pdf. "Number of institutions 4 4 0 8 5 8 18" "FDIC Quarterly Banking Profile - 4th Quarter 2022," Federal Deposit Insurance Corporation, December 31, 2022, https://www.fdic.gov/analysis/quarterly-banking-profile/qbp/2022dec/qbp.pdf. "Number of institutions 0 0 4 4 0 8 5"

[329]Congressional Budget Office, "Report on the Troubled Asset Relief Program—March 2010," March 2010, https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/112xx/doc11227/03-17-tarp.pdf. "Citigroup and Bank of America each received $45 billion in capital—$25 billion through the CPP, plus a subsequent $20 billion through the Treasury's Targeted Investment Program (TIP)." "Crisis and Response: An FDIC History, 2008–2013," Federal Deposit Insurance Corporation, 2017, https://www.fdic.gov/media/18626. "The announcement that the SRE would be invoked and government assistance would follow had the intended effect of stabilizing Citigroup and preventing its failure. Citigroup was able to continue operating"

[330]Federal Deposit Insurance Corporation, "Bank Failures & Assistance Data," BankFind Suite, https://banks.data.fdic.gov/bankfind-suite/failures. The FDIC records thirteen open-bank assistance transactions for the banks of the two companies: five on November 23, 2008 (Citibank, N.A. and its affiliated banks, $1.31 trillion in assets) and eight on January 16, 2009 (Bank of America, N.A. and its affiliated banks, $1.92 trillion), $3.22 trillion in all. The figure counts the insured banks, not the holding companies, whose total assets were larger.

[331]"Section 252.63—External Total Loss-Absorbing Capacity Requirement and Buffer," Board of Governors of the Federal Reserve System, accessed October 5, 2026, https://www.federalreserve.gov/frrs/regulations/section-25263-external-total-loss-absorbing-capacity-requirement-and-buffer.htm. "A global systemically important BHC must maintain an outstanding external total loss-absorbing capacity amount that is no less than the amount equal to the greater of: (1) 18 percent of the global systemically important BHC's total risk-weighted assets; and (2) 7.5 percent of the global systemically important BHC's total leverage exposure." "Section 252.62—External Long-Term Debt Requirement," Board of Governors of the Federal Reserve System, accessed October 5, 2026, https://www.federalreserve.gov/frrs/regulations/section-25262-external-long-term-debt-requirement.htm. "The global systemically important BHC's total risk-weighted assets multiplied by the sum of 6 percent plus the global systemically important BHC's GSIB surcharge (expressed as a percentage)" "Federal Reserve Board adopts final rule to strengthen the ability of government authorities to resolve in orderly way largest domestic and foreign banks operating in the United States," Board of Governors of the Federal Reserve System, December 15, 2016, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20161215a.htm. "Requiring a GSIB to maintain sufficient amounts of long-term debt, which can be converted to equity during resolution, would help achieve this objective by providing a source of private capital to support the firm's critical operations during resolution."

every level, and members of the public. The revenue from enterprise clients cross-subsidizes the public access mission. Large corporations pay market rates; researchers and startups get affordable access.

Federal Workloads: As federal agencies move their computing onto the National Research Cloud (Section 5.3.3), the billions they now spend on IT including commercial cloud become the utility's most dependable source of revenue.[332]

Licensing and IP: Public Research Institutes can license non-critical intellectual property and applications to the private sector, generating revenue to fund further research. Safety-critical technologies remain open; commercial applications can be licensed. This model mirrors successful technology transfer from universities and national laboratories.

Service Fees: Public Benefit Banks generate revenue through traditional banking operations — the spread between deposit rates and loan rates. Unlike shareholder-owned banks, this revenue is reinvested in the bank's mission rather than distributed to shareholders. The Bank of North Dakota has operated for over a century,[333] profitably in recent decades while serving its public purpose.[334]

9.5. Economic Stabilization Effects

Beyond funding their own operations, public utilities provide stabilizing counter-cyclical forces that benefit the broader economy.

An Orderly Hardware Market: Receivership stops the disorderly race in which lenders grab and dump hardware, and the rules for distressed sales (Section 5.4.6) replace it with a sequence: the public takes the working sites it needs, and the rest is sold promptly to buyers under the cap. The aim is an orderly sale, not a propped-up price. If computing power becomes cheap after a crash, that is a gain for every researcher, startup, and business that uses it — not a harm to be prevented for the benefit of chip makers and their lenders. It would be wrong to pretend that the public is a neutral presence in that market. A buyer with no limit on its size, a Treasury credit line, and the first option on every distressed sale puts a floor under prices whether it means to or not, and the Act wants things that pull against each other: low prices for the public and for smaller competitors, low recoveries for the lenders, and large public holdings. The rule that keeps these in balance is the one against hoarding (Section 5.3.3). The public buys what it can use, and what sits idle for 30 days goes back on the market. The experience of the Resolution Trust Corporation, which sold off the assets of the failed savings and loans,[335] cuts both ways — it has

[332]U.S. Government Accountability Office, "U.S. GAO," Cloud Computing: Federal Agencies Face Four Challenges, September 28, 2022, https://www.gao.gov/products/gao-22-106195. "Federal agencies plan to spend billions of dollars each year to support their IT and cybersecurity efforts, including transitioning IT resources to secure, cost-effective commercial cloud services."

[333]"BND Operations," Bank of North Dakota, January 29, 2026, https://bnd.nd.gov/about-bnd/bnd-operations/. "BND opened July 28, 1919, with $2 million of capital."

[334]Yolanda K. Kodrzycki and Tal Elmatad, "The Bank of North Dakota: A Model for Massachusetts and Other States?" Federal Reserve Bank of Boston, May 2011, https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2011/the-bank-of-north-dakota-a-model-for-massachusetts-and-other-states.aspx. "BND has shown a profit each year, according to data available since 1971." "BND Operations," Bank of North Dakota, January 29, 2026, https://bnd.nd.gov/about-bnd/bnd-operations/. "The Bank's profits are utilized in three ways: appropriation through the North Dakota Legislature to fund the General Fund, mission-driven loan programs and BND's capital."

[335]Resolution Trust Corporation, "Annual Report of the Resolution Trust Corporation," St. Louis Fed, August 29, 1996, https://fraser.stlouisfed.org/files/docs/publications/rtc/ar_rtc_1995.pdf. "The RTC disposed of $458.5 billion (book value) in assets from its inception through December 31, 1995, recovering $397 billion for taxpayers."

been criticized both for dumping assets into a falling market[336] and for letting an overhang of unsold property depress prices[337] — and the lesson is to sell steadily, neither all at once nor never.

Workforce Retention: Converting failed labs into public institutes prevents the "brain drain" of talent to foreign competitors or alternative industries. High-skilled AI researchers remain employed in the service of the national interest rather than departing for positions abroad. The human capital that represents decades of training and heavy educational investment is preserved.

Credit Continuity: Public Benefit Banks maintain lending to local businesses and consumers during downturns, when private banks typically tighten credit. This counter-cyclical lending supports economic recovery rather than deepening recession. The Sparkassen model demonstrated this during 2008; the WGFAA brings it to America.[338]

Compute Access Continuity: Public Compute Utilities ensure that researchers and startups retain access to AI infrastructure even during market turmoil. Innovation does not halt because private compute providers have failed; the public infrastructure keeps the engines running.

10. Conclusion

10.1. Seizing the Moment

The bursting of the AI bubble may be inevitable, but it need not be a catastrophe. It presents a rare historical opportunity to correct the structural flaws of the digital economy and the failed patterns of crisis response that have left America more fragile after some economic interventions.[339]

For too long, the United States has allowed the critical infrastructure of the future — both financial and technological — to be governed by short-term speculation and the accumulation of private power. When these speculative ventures fail, the public has often absorbed the losses while the assets have flowed to

[336]Gary Shorter, "The Resolution Trust Corporation: Historical Analysis," Congressional Research Service, September 26, 2008, https://www.congress.gov/crs_external_products/RS/PDF/RS22959/RS22959.4.pdf. "During its years of operation, 1989 to 1995, the RTC was alternately criticized for dumping thrift assets and for taking too much time to dispose of them." "Managing the Crisis: The FDIC and RTC Experience, Volume 1: History," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://www.fdic.gov/resources/publications/managing-the-crisis/documents/managing-the-crisis.pdf. "Lawmakers, as well as banking and thrift industry officials, who worried about assets being dumped on weakened real estate markets began demanding that the RTC market all conservatorship institutions as widely as possible"

[337]Robert D. Reischauer, "Statement of Robert D. Reischauer, Director, Congressional Budget Office, before the Committee on Banking, Housing, and Urban Affairs, United States Senate," June 17, 1992, https://www.cbo.gov/sites/default/files/102nd-congress-1991-1992/reports/doc23_2.pdf. "Many analysts are concerned that the RTC's vast inventory of real estate assets is continuing to depress real estate markets"

[338]Deutsche Bundesbank, "Developments in lending to the German private sector during the global financial crisis - September 2009," Deutsche Bundesbank Monthly Report, September 2009, https://www.bundesbank.de/resource/blob/706976/3dc3662de4ac127dbe58fc8cb68442a7/mL/2009-09-developments-lending-data.pdf. "The savings banks, too, considerably expanded their credit to non-financial corporations by an annual rate of 5.8%, although the growth rate was 2.3 percentage points down on the year." IMF, "Germany: Technical Note on Banking Sector Structure; IMF Country Report 11/370; July 2011," International Monetary Fund, July 2011, https://www.imf.org/-/media/websites/imf/imported-full-text-pdf/external/pubs/ft/scr/2011/_cr11370.pdf. "Provided stable supply of loans, and they managed to expand their retail lending throughout the crisis"

[339]"systemic risk," Congressional Research Service, September 5, 2024, https://www.congress.gov/crs_external_products/IF/HTML/IF12755.web.html. "TBTF raises concerns about fairness and reduces economic efficiency if it causes moral hazard—the concept that an actor will be more reckless if shielded from risk."

[340]US General Accounting Office (GAO), "AIMD-96-123 Financial Audit: Resolution Trust Corporation's 1995 and 1994 Financial Statements," U.S. General Accounting Office, July 1996, https://www.gao.gov/assets/aimd-96-123.pdf. "Of the $160.1 billion in total direct and indirect costs, approximately $132.1 billion, or 83 percent was provided from taxpayer funding sources." FDIC, "Crisis and Response: An FDIC History, 2008–

ever-larger private monopolies.[340] We have socialized the risks and privatized the gains, leaving ordinary Americans to bear the costs of instability while a small elite captures the benefits of public support.

The Won't Get Fooled Again Act offers a different path.

By converting failed banks, we restore fairness and local control to the financial system. Communities get institutions that serve their needs rather than the demands of distant shareholders. The cycle of consolidation ends. The "too big to fail" problem shrinks rather than grows.

By converting failed AI companies, we ensure that the most powerful technology of our time is developed as a public good. Research proceeds on safety rather than speed. Access is democratized rather than monopolized. The public investment that made these technologies possible returns to the public.

By funding these conversions through industry levies rather than taxpayer bailouts, we preserve America's borrowing capacity for productive investment. The fiscal space we would otherwise squander on speculator rescues remains available for infrastructure, industrial policy, climate adaptation, and the public services that build shared prosperity.

By barring the dominant firms from the fire sale and giving the public first pick, we make sure a crash leaves computing power more widely held, not less.

By refusing to pay for speculative goodwill and hype — and by paying lenders only what their collateral is worth — we restore market discipline. Investors and lenders learn that their most optimistic projections will not be validated by public funds. The moral hazard that has distorted American capitalism for a generation begins to unwind.

We are proposing to build the Tennessee Valley Authority of the 21st century — not for dams and electricity, but for data and intelligence. The TVA transformed a region mired in poverty into an engine of American industry.[341] It demonstrated that public enterprise could succeed where private speculation had failed. It remains, nearly a century later, a testament to what Americans can build when we choose public purpose over private extraction.

The tools are available. The legal precedents exist.[342] The fiscal necessity is urgent. The only missing ingredient is political will.

The speculators have had their chance. They have built a house of cards on circular investments and borrowed money, extracting billions for themselves while creating systemic risks that threaten the entire economy. When their house of cards collapses we must be ready with something better than another bailout that restores the same fragile system.

2013," Federal Deposit Insurance Corporation, 2017, https://www.fdic.gov/resources/publications/crisis-response/book/crisis-response.pdf. "In most cases, the FDIC's share of the loss was 80 percent, and the acquiring bank would absorb the remaining 20 percent of losses."

[341]Kline et al., "Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority," The Quarterly Journal of Economics, February 1, 2014, https://academic.oup.com/qje/article-abstract/129/1/275/1899702?redirectedFrom=fulltext&login=false. "Gains in manufacturing employment, by contrast, continued to intensify well after federal transfers had lapsed—a pattern consistent with the presence of agglomeration economies in manufacturing. Because manufacturing paid higher wages than agriculture, this shift raised aggregate income in the TVA region for an extended period of time." "Tennessee Valley Authority," Tennessee Encyclopedia, March 7, 2018, https://tennesseeencyclopedia.net/entries/tennessee-valley-authority/. "Per capita income in 1933 was only 44 percent of the national average."

[342]"The Role of TARP Assistance in the Restructuring," Congress.gov, March 18, 2014, https://www.congress.gov/crs-product/R41978. "The U.S. government was the majority owner of the company that emerged from the bankruptcy process, as the majority of the TARP loans made to GM were converted into an initial 60.8% government ownership stake in New GM."

We must be ready to convert their wreckage into our foundation.

The Won't Get Fooled Again Act is that foundation. It transforms crisis into opportunity, failure into infrastructure, and the end of a bubble into the beginning of a more stable, more equitable, and more productive digital economy.

11. Appendix: Comparison of Resolution Regimes

Feature	Current Regime (Bankruptcy/Bailout)	Proposed WGFAA Regime (Public Conversion)
Primary Goal	Maximize creditor recovery / Prevent immediate contagion	Maintain critical infrastructure & public benefit
Asset Fate	Sold to highest bidder (often a larger competitor, increasing consolidation)	Converted: a Public Benefit Bank (owned by its depositors, or by the public above $250 billion), a Public Compute Utility, or a Public Research Institute
IP/Data Treatment	Monetized or sold (national security and privacy risks)	Placed in Data Trust (security preserved, public access enabled)
Management	Often retained; severance sometimes paid[343]	Removed; compensation clawbacks enforced
Shareholders	May receive residual value; often partially protected	Wiped out completely; market discipline enforced[344]
Lenders	Sometimes made whole to stop "contagion"; repo lenders free to seize and sell collateral[345]	Paid current collateral value only; remainder written off; collateral frozen at receivership
Workers, Small Suppliers, Customers	Wait in line behind secured lenders	Paid first, by statute
Pensioners	Used as a political argument for bailing out lenders	Protected directly through the Pension Protection Facility

[343] "Chapter 11 - Bankruptcy Basics," United States Courts, accessed September 27, 2026, https://www.uscourts.gov/court-programs/bankruptcy/bankruptcy-basics/chapter-11-bankruptcy-basics. "The appointment or election of a trustee occurs only in a small number of cases. Generally, the debtor, as 'debtor in possession,' operates the business" B. Espen Eckbo, Karin S. Thorburn and Wei Wang, "How costly is corporate bankruptcy for the CEO?" upenn.edu, accessed September 27, 2026, https://repository.upenn.edu/server/api/core/bitstreams/b1f2baad-5ece-4f90-95c3-a0f3673746d5/content. "28% of the departed CEOs receive severance"

[344] "Dividends from Failed Banks," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://closedbanks.fdic.gov/dividends/bankfind/Dividendindex?fin=10261. "5. Any obligations to the shareholders or members (including holding companies and their creditors) (Priority Paid – Shareholders)." Giovanni Dell'Ariccia and Lev Ratnovski, "Bailouts and Systemic Insurance," IMF Working Paper, November 2013, https://www.imf.org/external/pubs/ft/wp/2013/wp13233.pdf. "Most often, government support leaves 'bailout rents' to the incumbent shareholders (and other stakeholders) of distressed banks."

[345] "Factors Affecting Efforts to Limit Payments to AIG Counterparties," New York Fed, January 27, 2010, https://www.newyorkfed.org/newsevents/speeches/2010/bax100127.html. "The result was that counterparties essentially received 'par,' with Maiden Lane III obtaining the CDOs and AIG obtaining the tear-up of the CDSs. … Ultimately, AIG, the world's largest insurance company, received extraordinary assistance because of the impact its failure would have had all across America."

[346] "Top 10 Questions About Bankruptcy Sales – A Primer on Sales Under Section 363 of the Bankruptcy Code," Goodwin Procter, May 29, 2024, https://www.goodwinlaw.com/en/insights/publications/2024/05/insights-finance-frg-top-10-questions-about-bankruptcy-sales?ref=blog.promise.legal. "A debtor has discretion, consistent with its business judgment, to select the highest or otherwise best bid as the winning bid" "America's AI push in Southeast Asia faces a China problem," Politico, September 24, 2026, https://www.politico.com/news/2026/09/24/america-

Chips and Data Centers	Sold to the highest bidder; no universal record of where chips go	Public first option; dominant firms barred; every chip from a large cluster tracked through resale[346]
Community Investment	None	Community Innovation Hubs — free places to work and start a business — in every congressional district, funded by an industry fee
Funding Source	Ad-hoc bailouts (taxpayer risk)	Industry-funded Digital Stability Fund, with a Treasury credit line repaid by industry
Market Structure Effect	Increases concentration (consolidation)	Increases competition (public option)
Fiscal Impact	Depletes borrowing capacity for future needs	Preserves fiscal space for productive investment
Service Continuity	Often uncertain; dependent on acquirer or wind-down trustee	Guaranteed; continuity is primary mandate
Workforce	Layoffs typical in restructuring	Retention mandated; brain drain prevented
Long-term Public Benefit	None; status quo restored	Permanent public infrastructure created

12. Appendix: How This Plan Differs from the Emergency Version

This document describes the Act as it should be passed: in advance, before anything fails. A companion document, the Emergency Version, sets out the same Act for a crash that has already begun. The goals and the design are the same in both: convert what fails, make the people who financed the bubble bear its cost, protect workers and depositors, keep the largest firms from buying the wreckage, and make the industry pay. Everything that differs comes from one fact. This plan has time to prepare, and the Emergency Version does not.

- **What triggers conversion** — The same in both versions: a firm files for bankruptcy, leaves a large payment unpaid, takes emergency federal support, or is found to be about to fail. What differs is which trigger matters. Passed in advance, the rule that aid means conversion works mostly by being known. In a crisis it does most of the work, because the firms that matter come asking for help before they fail.
- **Where the money comes from** — This plan: premiums and levies collected for years, with a $100 billion Treasury credit line behind them. Emergency Version: a $250 billion Treasury credit line, and up to $75 billion more for bank conversions, pays for everything up front, and the industry repays it over 10 years or more.
- **Who is barred from buying distressed chips and data centers** — This plan: any firm with more than 5% of the nation's registered AI computing capacity. Emergency Version: the five largest cloud providers by revenue, until a registry exists to measure shares.

southeast-asia-china-ai-chips-01088982. "The Chip Security Act, which would crack down on smuggling by requiring advanced chips to contain location-verification and tracking mechanisms, is likely to be included in the Senate's defense authorization legislation that lawmakers aim to pass by the end of the year."

- **When the rules start** — This plan: on enactment, with time for firms and lenders to adjust. Emergency Version: on the day the bill is introduced, with the power to unwind sales to the dominant firms made since the crisis began.
- **Who acts as receiver for technology companies** — This plan: the FDIC-Tech. Emergency Version: the FDIC itself from the first day, with the FDIC-Tech set up within 18 months.
- **How firms are designated as systemically important** — This plan: by a council of regulators, in advance, on a written record, with a right of reply. Emergency Version: by numeric thresholds written into the statute and applied within days.
- **Preparation inside the firms** — This plan: conversion plans, escrowed system access, and continuity protocols. Emergency Version: none of that exists, so it relies on criminal penalties for sabotage, a 24-hour deadline for handing over access, and wider retention pay.
- **The deposit guarantee** — This plan: priced in advance through risk-based premiums. Emergency Version: immediate and free at first, by Act of Congress, with the cost billed to the banks afterward.
- **Companies already in bankruptcy** — This plan: not an issue, because a firm's bankruptcy filing itself puts it into receivership. Emergency Version: pending bankruptcy cases are moved to the receiver, much as Congress required pending reorganizations of the railroads that became Conrail to proceed under a single federal plan.[347]
- **The lenders** — This plan: they know the rules when they lend, and price them in. Emergency Version: they did not, so their legal challenges are stronger and the credit line is sized for losing some of them.
- **The chip registry, licensing, and Community Innovation Hubs** — This plan: in place before any failure. Emergency Version: the same rules, phased in over the 18 months after enactment, with an emergency census standing in for the registry.
- **Cost to the public** — This plan: lowest. Emergency Version: higher, because assets have been lost or sold, staff have left, the public advances all of the money, and the lawsuits are harder.

The Emergency Version contains several sections this plan does not need: banking measures for a crisis already under way, designation by statute, what stands in for the chip registry, the treatment of cases already in bankruptcy, the added legal risk of acting late, continuity without preparation, and a schedule of what takes effect when. It replaces this plan's opening argument that a bubble exists with a short description of the crash, since in a crash nobody needs persuading.

New Consensus

[347] "Regional Rail Reorganization Act Cases," United States Reports, December 16, 1974, https://www.govinfo.gov/content/pkg/USREPORTS-419/pdf/USREPORTS-419-102.pdf. "Each railroad under a § 77 reorganization must proceed under the Rail Act unless its reorganization court"