

“WE THE PARASITES” BENEFITING FROM HAMP

You’ve probably already read DDay’s and Atrios’s pieces on what some Treasury officials admitted about HAMP the other day. But partly because I want to link to this really comprehensive account of the entire meeting and partly because I want to elaborate on a point made in it, I thought I’d join in.

Basically, at some blogger chats last week, some folks at Treasury judged that, in spite of the catastrophic failure of HAMP to achieve its stated purpose—to help homeowners stay in homes either bought during a bubble or refinanced at a time when lending standards had been all but eliminated—it was still a good thing because it gave the banksters some time to recover from their catastrophic investment in the shitpile.

On HAMP, officials were surprisingly candid. The program has gotten a lot of bad press in terms of its Kafka-esque qualification process and its limited success in generating mortgage modifications under which families become able and willing to pay their debt. Officials pointed out that what may have been an agonizing process for individuals was a useful palliative for the system as a whole. Even if most HAMP applicants ultimately default, the program prevented an outbreak of foreclosures exactly when the system could have handled it least. There were murmurs among the bloggers of “extend and pretend”, but I don’t think that’s quite right. This was extend-and-don’t-even-bother-to-pretend. The program was successful in the sense that it kept the patient alive until it had begun to heal. And the patient of this metaphor was not a struggling homeowner, but the financial system, a.k.a. the banks. Policymakers openly judged HAMP to be a

qualified success because it helped banks muddle through what might have been a fatal shock. I believe these policymakers conflate, in full sincerity, incumbent financial institutions with “the system”, “the economy”, and “ordinary Americans”. Treasury officials are not cruel people. I’m sure they would have preferred if the program had worked out better for homeowners as well. But they have larger concerns, and from their perspective, HAMP has helped to address those.

As these revelations about Treasury’s self-congratulation on HAMP have come out, I keep thinking of the word “parasite.” The folks we pay to keep our financial system running for the good of the citizens of the United States are unabashedly celebrating that they’ve made individual families’ lives more miserable because the banks—who while SCOTUS may treat them as people are not actually part of the “We the people” originally envisioned by the Constitution—will have time to recover from their own damn mistakes.

Our government is happy—not from the pain of the families, per se—but because a bunch of artificial entities that seem to have replaced “we the people” as those who will receive “general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity” from our government will be better off.

The guys in charge of our economy actually seem incapable of understanding who they work for—not to mention the additional problems their “qualified success” will cause. (What happens in a decade when large numbers of middle class kids can’t go to college because the government decided it was okay to subject their families to more misery during a foreclosure?)

Or, they don’t give a shit that this program asks homeowners to pay over and over for their mistakes, all to make sure the banksters never

have to pay for their own.

Which is the other problem with this attitude. The alternative to HAMP, of course, is cram-down, in which the banksters have to cut the principle owed to them to what was probably more realistic value in the first place. Every time cram-down gets dismissed, the person dismissing it as an option mobilizes the language of morality, the need to make homeowners pay for buying more home than they could afford (assuming, always, they haven't been laid off because the banksters ruined the economy or run into medical debt). But there seems to be no language of morality to describe the price banksters should have to pay by failing to do any real due diligence on loans or for accepting transparently bogus assessments of value. Heck, even the banksters get the equivalent of cram-down without a big morality play.

Treasury's attitude about HAMP is not just evidence they've lost all track of who they work for and where the benefits of the economy are supposed to be delivered, but it also suggests that these Treasury folks have lost the most basic notion of capitalism, that if businessmen never pay for bad decisions, they'll continue to make bad decisions.

And meanwhile, a whole bunch of "we the people" will be worse off because of the really twisted sense of purpose held by the folks working for "we the people."