



REFORMING A TAX CODE THAT DISCOURAGES CAPITAL FORMATION

Two-Year Suspension of the Capital Gains: Immediately suspend the capital gains rate from 15% for individuals and 35% for corporations. By encouraging corporations to sell unwanted assets, this provision would unleash funds and materials with which to create jobs and grow the economy. After the two-year suspension, capital gains rates would return to present levels but assets would be indexed permanently for any inflationary gains.

REFORMING A FAILURE IN GOVERNMENT INSTITUTIONS

Schedule the GSEs for Privatization: Transition Fannie and Freddie over a reasonable time period to truly private companies without special government privileges and open them up to real market competition. This reform would 1) establish commonsense limits for their capital requirements and portfolio holdings relative their size, 2) focus their mission on affordable housing only, not profit making, 3) require them to pay an appropriate risk-based amount for the government guarantee they enjoy, 4) subject them to state and local taxes and accurate SEC filings like every other private for-profit corporation, and 5) ultimately provide for the phase out their GSE charters once their conservatorship has ended. In a matter of mere weeks, Fannie and Freddie have gone from *too big to fail* to *too dangerous to repeat*. This hybrid illusion must not be allowed to continue.

Stabilize the Dollar: Repeal the Humphrey-Hawkins Full Employment Act which diverts the Federal Reserve's attention from long-term price stability to short-term economic growth. In an effort to fuel the economy, this additional mandate has encouraged the Fed to keep rates artificially low, fueling economic boom and busts, and now a strong up-tick in inflation and the decline of the dollar (as investors free dollars for hard assets). This reform would require the Fed to establish a numerical definition for price stability and maintain a policy that promotes it over the long-term.

REFORMING A FAILURE IN GOVERNMENT REGULATION

Suspend "Mark to Market" Accounting: Suspend the mark-to-market regulatory rules for long-term assets. These rules require financial firms to mark assets at current market levels, even where the no market exists and any immediate transactions would result in fire-sale prices. Instead of allowing firms to mark these assets to their true economic value, these rules contribute to a downward spiral as firms have to evaluate their assets not on the basis of their long-term investment but rather on a short-term mania.

