



## AMERICANS for TAX REFORM

Grover G. Norquist  
President

September 30, 2008

The Honorable George W. Bush  
The White House  
Washington, DC 20500

Dear Mr. President:

Now that the financial services package is back to the negotiation stage, I wanted to suggest several unilateral steps that could be taken by you to address the root causes of the financial panic. In order to make this bailout the last one, there are several necessary steps that should be taken by the Executive Branch:

1. **Repeal the Clinton-era regulations encouraging reckless lending practices under the Community Reinvestment Act (CRA).** In the 1990s, the Clinton Administration used the CRA as a club to pressure lenders into giving loans to marginally-qualified borrowers. The government should not be in the business of pushing lenders into making loans they would not make in a free market
2. **Direct the SEC to make mark-to-market accounting voluntary for distressed assets.** The mark-to-market accounting regime forces companies to value assets at less than their intrinsic value, merely to reflect current market uncertainty. In order to contain the bailout and protect taxpayer dollars, companies should be able to use book accounting for assets deemed by the Treasury as "distressed"
3. **Direct the Treasury Secretary to determine that capital basis can be adjusted for inflation by taxpayers.** There is a body of legal thought which holds that the Treasury Department can do this by executive action. In order to free up needed capital and unlock frozen assets more easily, the Treasury should make this common sense change to tax rules. If there is a legal brief which details Treasury's objections to capital basis indexation, it should be released for public dissemination.

It's important to note that all these actions can be done unilaterally by the Executive Branch. There are other reforms which require legislative action (note especially the House Republican Study Committee package), but the above executive steps would do much to alleviate the panic, assure markets, and protect taxpayers.

If you have any questions, please contact Ryan Ellis in my office at [rellis@atr.org](mailto:rellis@atr.org).

Sincerely,

Grover Norquist

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