Time to let AIG take the big dirt nap

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You heard it here first: This so-called banking crisis is now officially over. There is just no longer any need to bail out AIG, Citibank or any other troubled financial organization.

Let's take a careful look at what actually happened in the vast wasteland between the cutting edge of technology and the exercise in medieval logic that is "modern" finance. The news finally broke about how the Obama Administration was planning to manage our nation's crippled banks and investors. The idea was to give the Treasury Department more direct oversight over troubled fiscal organizations. No longer would the Feds' reach be limited to just, say, AIG. Now all sorts of enfeebled investors could be taken out by the government. As expected, the talk set off a firestorm as to whether we are looking at the new dawning of intelligently managed markets or Joseph Stalin a la 2009. Here are more than 7,000 news entries to that effect.

And seemingly on cue, the markets reacted. The Dow actually flirted with 8,000. Econo-nerds like to say it's the stimulus plan at work. But if you look carefully at the data you will see that something happened this week that was rather remarkable: PROFITS. Here is Reuters pointing out the retailer (that's right, a retailer) Best Buy actually beat estimates for the past quarter. And this was predominantly on sales of laptops, which was a clear market trend through the entire downturn.

We're also seeing increased TV prices for the first time in more than a year. And we expect to see improved sales in entry level cell phones like the Pantech Slate, or the T-Mobile Dash.

In spite of the financial services industry's denial, the future of money is coming, whether Citibank and the Treasury want to admit it or not. Alternative investment services are growing. Peer-to-peer lender Lending Club just got $12 million in new funds last week and it became a fully accredited retirement vehicle. It now can administer self-directed individual retirement accounts. That means you can plan for retirement using an investment service that not only does not charge 9 percent of your money to invest, but also does not have a slew of rich execs who seem compelled to demand bonuses even though they have brought the world to its fiscal knees.

Even mainstream media is beginning to point out that we may not need to save AIG. Here is Lucian Bebchuk from Harvard Business School doing an opinion piece for the Wall Street Journal to that effect.

So then, what is the imperative to save these organizations? The answer is, there isn't one. The time seems right to say enough is enough. Sure, the AIG bankruptcy will hurt. It and many other organizations will fail, and more federal dollars will be needed to keep accounts whole. We fully expect the Dow might to slide to 5,500 or lower in those weeks around the crash. But really, is that so awful? Compare that simple, quick loss to the absolutely crippling effect of resuscitating these hobbled organizations for the next decade or longer.

There is an old saying on Wall Street: Goldman Sachs never loses money. That company, and many of the bulge-bracket firms they traded with, are the major holders of these toxic assets and counter-party trades. Is it really so out of bounds to speculate that powerful investment lobbies fanned the flames of the fiscal crisis to squeeze taxpayer dollars out of government to bail this operation out of its bad bets?

We've been around this game our entire adult lives, and we can for sure tell you, no, it is not out of bounds. We can hear the late night calls being made and meetings getting set up.

And we know you can too.