

Dear President Bush,

I have read the text of your speech to the nation Wednesday night. I want to emphasize my continued opposition as a concerned citizen and taxpayer to the proposed \$700 billion Wall Street bailout -- \$2,333.33 for every man, woman, and child in the USA. There is clearly no need for a panicked one-week rush to enact this or any other legislation.

If there is a genuine danger that a near term credit "crisis" will prevent payment of payrolls or other vital functions, the Federal Reserve, Treasury, and U.S. government clearly have other more effective options to inject needed funds into the financial system than to purchase valueless assets from incompetent financial firms.

For example, the Federal Reserve can make available funds at the discount rate which can be lowered to 0% if necessary to those banks, credit unions, and other financial firms that have not made bad lending and investment decisions. These firms can then take over providing credit for payrolls and other vital functions. The Federal Reserve can also attach a "use it or lose it" requirement to such loans to ensure that they are used immediately to cover payrolls or other short term needs that may be in danger due to the screwup by large badly run investment banks.

The FDIC and other government agencies should have detailed information on the financial state of banks and other financial firms. There should be no difficulty in identifying those firms with excellent balance sheets. The Federal Reserve and other government agencies can easily post lists of well-run banks and other financial institutions that qualify to disburse emergency loans of this type on their web sites and otherwise make companies aware of where to go to get emergency short term credit to meet payrolls and perform other vital functions.

Federal Reserve loans should be considered a privilege for well-run banks and financial firms and not a right. There are undoubtedly many, often small, financial firms that have made prudent investments and avoided mortgage backed securities, sub-prime loans, and other junk.

There are, of course, other options such as a federal emergency loan fund to meet payrolls and so forth to avoid a near term credit collapse that do not involve the purchase of valueless assets and will ensure

that the money is used to keep vital functions in operation and not further enrich incompetent financial executives.

The proposed bailout contains no provisions to ensure that payrolls or other vital functions will be met despite a price tag of \$700 billion. Previous bailouts orchestrated by Treasury Secretary Paulson and Federal Reserve Chairman Bernanke – Bear Stearns, Freddie Mac, Fannie Mae, and many other financial firms – have so far failed miserably. The bailout contains no mechanism to prevent a negative bubble in housing in which the price of houses falls well below their “true value” in a house selling panic. A negative bubble in housing could recreate the dire economic and political conditions of the Great Depression that led to the Second World War. Even the U.S. Government has limited resources and spending \$700 billion on this bailout may exhaust the resources that would be needed to prevent or stop a negative bubble and its consequences. We now possess weapons thousands of times more destructive than the weapons used during World War II (which killed over 20 million people) and it is imperative to avoid a repeat of the economic and political conditions that caused World War II.

Mr. President, I urge you to cancel the proposed bailout in the interests of both the US and indeed the world. Please seek advice from a broader range of people including (but not limited to) economists such as Dean Baker, Nouriel Roubini, Robert Shiller, Walter J. “John” Williams, and others who warned about the housing bubble and associated financial speculation. Treasury Secretary Paulson has a clear conflict of interest in his close relationship with Goldman Sachs, one of the affected firms, and should recuse himself from this matter in the interests of the nation and the world. A problem of this magnitude should be handled with careful consideration, not in a rushed panic, and, as explained above, there are clear measures to handle any short-term credit crisis while carefully considered policies are developed and put in place.

Sincerely,

John McGowan