

**<street address omitted>**

**<city, state zip omitted>**

February 13, 2009

Representative Anna Eshoo

698 Emerson Street

Palo Alto, CA 94301

Dear Congresswoman Eshoo,

I find the recently announced Financial Stability Plan which appears to be both a continuation and expansion of the failed Troubled Assets Relief Program (TARP) deeply disturbing. I see many registered voters in your district that have been laid off since TARP was announced, I believe as a direct result of this bad policy.

TARP and the Federal Reserve's massive covert bailout of incompetent Wall Street firms divert trillions of dollars from productive sectors of the economy, for example local employers ranging from Google to local restaurants, to demonstrably incompetent organizations.

To the extent that sound banks have been forced to accept TARP funds, as has been reported in the press, this spreads the stigma of incompetence to banks that exercised prudent judgment and further undermines the financial system and the economy..

To the extent that sound banks have been forced by the federal government to merge with unsound banks (for example, Wells Fargo's purchase of Wachovia), this weakens sound banks and spreads the stigma of incompetence to banks that exercised prudent judgment and further undermines the financial system and the economy.

**<one paragraph with some personal info omitted>**

The Federal Reserve should make credit available for vital functions such as payroll, if necessary, through solvent and competent banks that exercised prudent judgment. The \$350 billion given to the mega-banks in TARP I could have easily covered all of California's budget shortfall and all other state and local government budget shortfalls in the United States this fiscal year. Why wasn't this done?

TARP has caused a national panic and undermined confidence in the financial system, the economy, and the federal government, especially the US Treasury and the Federal Reserve. Please note that I do not equate the major TARP recipients such as Citigroup, Goldman Sachs, Morgan Stanley and others with the financial system. The financial

system includes thousands of banks, many of which exercised better judgment than the TARP recipients.

TARP provides funds for the TARP recipients to take over banks and other financial institutions that exercised sound judgment, lay off bank and financial executives who have exercised sound judgment, and otherwise increase the power of people who either do not know what they are doing or are deliberately destroying the US and global economy..

Foreign creditors and potential creditors such as China, if they have any sense, can only be alarmed by the US policy of rewarding gross incompetence represented by TARP and most of the Federal Reserve's programs to date. This can only contribute to a catastrophic crash of the dollar and US bonds in the near future.

TARP has been justified by the claim that removing so called "toxic assets" from the TARP recipients' balance sheets will bring private capital back into these banks from some unidentified source. Banking is a service industry. The problem with the TARP recipients is not just the toxic assets but the toxic asset managers who purchased the assets. So long as these toxic asset managers remain in place no private investor or foreign government *in their right mind* would invest in these banks.

Computers are now so powerful that the substantive financial transactions of the entire US population (300 million), perhaps one trillion transactions per year, can be handled by at most a room full of high end computers costing at most a few million dollars. In fact, in principle, a single laptop with a large hard disk has the computing power, memory, and disk space to handle this volume of financial transactions. DVD video playback, something easily handled today, has similar computational requirements and uses sophisticated mathematics that actually works unlike the dubious financial models used on Wall Street. There is no excuse for a "financial system" (the TARP recipients) that costs trillions of dollars of public money to keep operating.

We need a real economy that produces food, energy, useful machines, real scientific and technological advances, and provides good jobs for all Americans not just a tiny and shrinking Wall Street elite living in a sheltered fantasy world on Manhattan.

These policies risk creating the dire social and economic conditions of the Great Depression that led to World War II. A negative bubble in housing and other asset prices combined with a precipitous crash of the dollar is very possible. World War III would be fought with weapons much more destructive than those used in World War II which killed tens of millions of people.

The vast majority of Americans in both political parties, both liberals and conservatives, oppose these disastrous policies. I urge you to join them.

The federal government should not purchase bad assets from giant badly run banks. Those banks that are insolvent should be shut down or reorganized and the bad

loans written off in such a way to protect depositors as guaranteed by the FDIC, ordinary employees where feasible, and ordinary homeowners. In general, mortgages should be modified in some way to enable families to remain in their primary residence under reasonable terms without an undeserved windfall. I urge you to seek broader advice and counsel on financial policy including economists such as Dean Baker, Robert Shiller, and Nouriel Roubini who anticipated the current financial situation as well as citizens not affiliated with the banking industry and Wall Street.

Sincerely,

John F. McGowan, Ph.D.