

August 10, 2009

Dear Senator Feinstein,

Thankyou for your response (see below) to my previous e-mail regarding the fiscal stimulus, economy, and Wall Street bailout. I am pleased that the answer bears some resemblance to the topic of my previous e-mail, unlike the responses to some earlier e-mails.

It seems however that my previous e-mail was misunderstood. I am an advocate of a carefully considered and focuses fiscal stimulus in the range of \$750 billion to \$1.5 trillion dollar per year with a strong focus on investments to restore manufacturing, R&D, and other atrophied sectors of the economy. Ideally this should be done in concert with reducing the excessive "value" of the US dollar, a foolish policy of borrowing heavily from foreign nations. Ideally this should be a phased "devaluation" of the dollar /revaluation of the yuan conducted in concert with the government of China if possible to minimize disruptions to both nations.

I am firmly opposed to TARP and similar giveaways to incompetent banks. These programs have created the current crisis by diverting trillions of dollars from productive sectors of the US economy. The economic crisis followed the passage of the TARP act which you proudly present as a good policy, because TARP diverted \$700 billion from productive sectors of the economy to incompetent banks.

Banks such as Goldman Sachs, JP Morgan Chase, Citigroup, and the rest have demonstrated to me and anyone with any sense that they are unable to effectively allocate capital to productive activities. It is absurd for the US government to give these unqualified banks even one cent.

Sincerely,

John McGowan

Dear Mr. McGowan:

Thank you for writing to share your concerns about the economy. I understand that these are difficult times for many Californians and welcome the opportunity to respond.

As you know, the Obama Administration has implemented a number of programs intended to stabilize financial markets and ease the flow of credit to consumers and businesses. The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) provided \$700 billion to the Secretary of the Treasury to implement some of the Administration's programs to improve the economy. Below is a brief summary of four of the most significant efforts:

oThe Capital Assistance Program - Under this program, banks with assets worth over \$100

billion will undergo stress tests to determine their capital standing and overall health. If a bank does not have sufficient capital, it may qualify for additional Federal funding to protect against future losses.

oConsumer and Business Lending Initiative - This program will expand the Federal Reserve's Term Asset-Backed Securities Loan Facility (TALF) by up to \$1 trillion to stimulate the student, car, small business, and home loan markets. This financing, along with loan guarantees from the Treasury Department, will increase liquidity and expand credit for consumers and businesses that rely on these loans.

oPublic-Private Investment Program - Using roughly \$100 billion of Troubled Asset Relief Program (TARP) funds, the Treasury Department, Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve will provide guarantees and financing to private investors for the purchase of distressed assets which have negatively affected bank balance sheets.

oMaking Home Affordable Program - This program will use \$75 billion of TARP funds to implement mortgage modification and refinancing programs through the Treasury Department as part of the Administration's efforts to mitigate foreclosures and stabilize the housing market.

I certainly appreciate hearing your thoughts and suggestions for improving the economy and helping Californians during this challenging time. This is a difficult situation for which there are no perfect solutions. Nonetheless, I have confidence in Congress and the Obama Administration as they implement these programs and am hopeful that they will soon show signs of success.

Once again, thank you for writing. Please keep in contact with my Washington, D.C. office at (202) 224-3841 should you have any further suggestions or input for how Congress should address this issue. Best regards.

Sincerely yours,

Dianne Feinstein
United States Senator

Further information about my position on issues of concern to California and the Nation are available at my website <http://feinstein.senate.gov/public/>. You can also receive

electronic e-mail updates by subscribing to my e-mail list at

<http://feinstein.senate.gov/public/index.cfm?FuseAction=ENewsletterSignup.Signup>