

Letter to Senator Dianne Feinstein on Economic Crisis

Dear Senator Feinstein,

Thankyou for your reply to my e-mail regarding the dire state of the US, California, and global economies and the dismal results of the Wall Street bailout (See below).

While I have concerns about the national debt and "fiscal responsibility" these focus on a policy of borrowing trillions of dollars to subsidize giant banks instead of addressing the needs of 300 million Americans and indeed the world.

It seems that there are no concerns about the fiscal responsibility of borrowing trillions of dollars for Wall Street which does not need the money and has proven it cannot allocate the money to finance productive investments, research and development and so forth, preferring to manufacture speculative bubbles and engage in pseudo-scientific "financial engineering".

In contrast, there are now such concerns about "fiscal responsibility" over fiscal stimulus plans that can offset the sharp drop in consumption caused by the collapse of the housing bubble, and, if focused correctly, provide genuine productive investments in manufacturing, R&D, and other vital needs of the US and the world.

If a "free market" solution to the current crisis is desired, then the Federal Reserve and US Treasury must direct needed liquidity not through the banks that screwed up and funded a speculative housing bubble, but rather those banks which are solvent and have proven to have sound management and lending practices and can allocate the funds to productive activities.

It is likely that we are in the famous Keynesian liquidity trap that probably occurred during the Great Depression. It is likely this requires direct spending by the government such as pulled the United States out of the Depression during World War II. Of course, we should not start World War III (with China for example) to get out of this current crisis. Rather there are many productive investments that provide a sensible alternative.

I again urge you to seek counsel from economists and other experts such as Nouriel Roubini, Robert Shiller, Dean Baker and others who correctly anticipated the housing bubble, provided sensible well-documented theories of why there was a housing bubble and what would happen when it popped, and who generally recommend a larger and better focused fiscal stimulus. Wall Street financiers both have obvious conflicts of interest and are simply not experts in macroeconomics.

Sincerely,

John McGowan

Dear Mr. McGowan:

Letter to Senator Dianne Feinstein on Economic Crisis

Thank you for contacting me to express your concerns about the national debt. I appreciate the time you took to write about this important issue and welcome the opportunity to respond.

Like you, I am very concerned about our nation's increasing debt and the financial burden it will place on future generations. Our national debt now exceeds \$10.6 trillion, which translates to roughly \$34,000 owed by every American citizen.

As our debt increases, so does our spending on the interest on the debt. According to the Congressional Budget Office, interest payments for the debt will be roughly \$3.6 trillion over the next ten years, siphoning away funds that could be used for other priorities. It is my hope that Congress will work together to improve our budgetary outlook by enacting more fiscally responsible policies.

I recognize that the debt has increased in recent months due in part to the Federal Government's expenditure of financial rescue assistance intended to stabilize the economy. Additionally, the debt has the potential to grow further as Congress and President Barack Obama consider additional measures to stimulate the economy and create jobs. Please know that I will keep in mind your concerns about the impacts of economic recovery legislation has on our national debt.

Again, thank you for writing. I hope you will continue to keep in touch on issues of importance to you. If you have any further questions or comments, please do not hesitate to contact my Washington, D.C. office at (202) 224-3841. 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

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electronic e-mail updates by subscribing to my e-mail list at
<http://feinstein.senate.gov/public/index.cfm?FuseAction=ENewsletterSignup.Signup>.