

February 7, 2009

President Barack Obama  
The White House  
1600 Pennsylvania Avenue NW  
Washington, D.C. 20500

Dear President Obama,

I applaud news that the so-called "bad bank" is no longer being considered. I also applaud your announcement of some limited restrictions on executive compensation at some, apparently future, Troubled Assets Relief Program (TARP) recipients.

As a concerned citizen, I still find the direction of current policy very troubling, including the continuation of the TARP program despite its disastrous consequences.

TARP and the Federal Reserve's massive covert bailout of incompetent Wall Street firms divert trillions of dollars from productive sectors of the economy 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..

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.

As a computer professional, I can say that 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.

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.