

ALTERNATIVE VIEWS

Sen. John E. Sununu

The central portion of this report presents Treasury's response to questions posed in the Panel's first report, released on December 10, 2009, as well as an evaluation of those responses. In many cases, the report highlights areas where additional information may or should be provided to better understand Treasury's motives in choosing specific features of the TARP, measuring its performance, and monitoring compliance. In these and other areas, the public is better served by a process that is as clear and transparent as possible.

Compiling this evaluation, and creating a panel report, is a consensus process. As a result, its tone and emphasis cannot perfectly reflect the priorities and language of every member. Taken as a whole, I believe that the material presented in the January Report will help increase the public's understanding of the process to date, and, as such, I have supported its release. In two areas, however, the approach taken is of particular concern and deserves additional clarification.

First, in several places within the report text, language is used which can easily be interpreted as suggesting that the purpose of the TARP is to increase lending to the levels that existed before the current financial crisis. (See, e.g., page 8: "... or increased lending"; page 10: "... why the TARP investments will be slow to produce increased lending"; page 13: "... the goal of the program was to increase consumer or small business lending"). But the current crisis was caused, in large part, by the extension of *too much* credit to institutions and individuals that were not creditworthy. This, in turn, has resulted in a broad and dramatic de-leveraging of the global economy. When, and as, the economy begins to recover, it will do so in an environment of lower leverage, and, thus, lower levels of aggregate borrowing than existed in 2007. This fact should not be ignored.

With regard to lending, the TARP is intended to help ensure the *availability* of credit to individuals and businesses that are creditworthy and that credit is made available at sustainable levels over time. Language to this effect is used on page 11 ("... the Panel asked whether Treasury's action preserved access to consumer credit ..."), but by omitting it elsewhere, readers might easily, and incorrectly, conclude that the TARP is intended to bring total borrowing back to pre-crisis levels.

Second, while Treasury can and should provide additional information to the public regarding the TARP's design, its performance, and the compliance of firms receiving capital, there are several questions posed in the Panel's December 10 report that are enormously difficult, if not impossible, to answer with any certainty. Moreover, there are a few that are best left unanswered.

Questions such as: "3.8 Will lower rates lead to a large enough pool of buyers to lead to a general increase in home prices?" and "3.10 Will lower interest rates induce demand for home ownership in the face of falling housing prices, consumer uncertainty about the future of the

economy and unemployment, and the reasonable expectation that an even better deal might be available in the future?” require gross assumptions about multiple economic indicators and human behavior. In the current environment it is not practical to attempt to accurately forecast such behavior.

Questions such as “4.5 Is Treasury seeking to use TARP to shape the future of the American financial system?” and “6.1 Does Treasury believe American families need to borrow more money?” contain vague and sweeping generalizations. No Treasury Secretary should be asked to assert that “American families should borrow more” or “should borrow less” as part of the TARP oversight process. Families and consumers face situations and circumstances that are unique, and those situations and circumstances should be recognized as such.

The work of the Panel is important, and it should help provide the public and Congress with useful information regarding the design, operation, and performance of the TARP. Thus, it is essential that every effort be made to use unambiguous language and to ask direct and practical questions. We must redouble efforts to do so in future reports.