

Withdrawn/Redacted Material

The George W. Bush Library

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
001	Outline	Outline on Rescue Strategy [with attachment]	11	N.D.	P5;
002	Presentation	Financial Rescue Package Options	9	10/02/2008	P5;
003	Memorandum	Guaranteeing Short-Term Debt - To: Edward Lazear - From: Jane Ihrig, et al.	2	10/10/2008	P5;
004	Presentation	Macroeconomic Policy Response to Yen Appreciation...	10	N.D.	P5;
005	Presentation	Collapse of BUBBLE: Lessons from Japan	30	12/19/2008	P5;
006	Memorandum	Cost of the Financial Rescue Operation - To: POTUS - From: Jane Ihrig	3	11/26/2008	P5;

COLLECTION TITLE:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawn/Redacted Material

The George W. Bush Library

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
007	Presentation	Financial Turmoil Policy Response	13	11/04/2008	P5;
008	Memorandum	[Memo] - To: Members of the Executive Board - From: The Acting Secretary	1	08/21/2008	P1/b1;
009	Report	[Report]	20	08/2008	P1/b1; P5;

COLLECTION TITLE:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Outline	Outline on Rescue Strategy [with attachment]	11	N.D.	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

OA Num.:

13177

NARA Num.:

13333

FOIA IDs and Segments:

2014-0222-F

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Presentation	Financial Rescue Package Options	9	10/02/2008	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

OA Num.:

13177

NARA Num.:

13333

FOIA IDs and Segments:

2014-0222-F

RESTRICTION CODES**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Memorandum	Guaranteeing Short-Term Debt - To: Edward Lazear - From: Jane Ihrig, et al.	2	10/10/2008	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

OA Num.:

13177

NARA Num.:

13333

FOIA IDs and Segments:

2014-0222-F

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Presentation	Macroeconomic Policy Response to Yen Appreciation...	10	N.D.	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

OA Num.:

13177

NARA Num.:

13333

FOIA IDs and Segments:

2014-0222-F

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Presentation	Collapse of BUBBLE: Lessons from Japan	30	12/19/2008	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

OA Num.:

13177

NARA Num.:

13333

FOIA IDs and Segments:

2014-0222-F

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Ways to avoid another stampede

Print

By Heizo Takenaka

Published: November 13 2008 19:48 | Last updated: November 13 2008 19:48

World leaders gather on Saturday to address the global financial meltdown. They will discuss fiscal stimulus and monetary policy, and rightly so. But Japan's bitter experience in the 1990s proves that fiscal and monetary policies are not enough. Just as important are microeconomic incentives such as rules for accounting, disclosure and compensation. Unless the micro incentives are right, the macro outcome will be wrong.

In my opinion, the global financial meltdown had less to do with macroeconomic errors – although such errors occurred – than with distorted and incompatible micro incentives. Here are 11 reforms that will damp the tendency of financial markets to stampede.



First, adjust capital adequacy ratios to restrain the lending cycle. For example, the 4 per cent target for the tier one capital ratio for banks might be raised to 8 per cent in booms but lowered to 3 per cent in recessions. Cycle-dependent capital ratios would reduce the tendency of banks to lend too generously in booms and too timidly in recessions.

Second, design performance benchmarks that discourage herd behaviour. Benchmarks usually reward fund managers for their performance against a reference index. Such benchmarks can trigger bubbles or stampedes. If a stock is included in the reference index and is rising, fund managers have a strong incentive to buy – even if valuations are too high already. Requiring absolute benchmarks (for example, seek 10 per cent, plus or minus 2 per cent, with a penalty for deviation in either direction) might quell the herd instinct. Relative reference indices should not be used as performance benchmarks, especially for compensation.

Third, base mark-to-market rules on the duration of liabilities. When an institution relies mostly on long-term funding, mark-to-market of assets need not be strict or frequent. Such institutions can take the long view, stabilise markets and raise returns for investors. However, when an institution relies heavily on short-term funding, mark-to-market of assets must be strict and frequent. Otherwise the capital of the institution will be vulnerable. Thus, mark-to-market rules should be based not only on the character of individual assets, but also on the duration of the liabilities of each institution.

Fourth, impose leverage limits to counter the funding cycle. In recent years, some financial

institutions became overleveraged as a result of competitive pressures on regulators to lift leverage limits. Such limits should be reinstated on an internationally consistent basis. When times are good, the leverage limits should be lowered in order to prevent overshooting. When times are bad, the limits should be raised in order to spur recovery.

Fifth, expand suitability rules to all financial sectors. These protect investors from lack of information, inexperience and myopia. In the securities business, brokers must have a reasonable basis for recommending a security to a customer, in light of the customer's circumstances. Similar rules are needed across financial institutions, especially for mortgages.

Sixth, enforce cross-country consistency. In globalised capital markets, rule changes in one country can destabilise other countries, as shown recently by changes in deposit insurance coverage and by capital injections. Categories requiring cross-border consistency include deposit insurance, short-selling rules, money market collateral rules and leverage limits.

Seventh, mandate the exchange of personnel between regulators and regulated institutions. Too often, personnel in financial institutions fail to understand the regulators' viewpoints and needs. Senior financial industry personnel should be required to have regulatory experience. Conversely, regulators often fail to understand the pressures and incentives in financial institutions. Moreover, regulators in one country often fail to understand rules in others. Senior regulators should be required to have market and international experience.

Eighth, eliminate conflict of interest in the business models of rating agencies. Rating agencies are often paid by issuers. There is therefore a temptation to give high ratings. Rating agencies may use generous assumptions or models that are biased towards an outcome that is profitable to the agency. Thus, agencies should be paid by investors, who will demand timely ratings that reflect reality, and not by issuers.

Ninth, professionalise external directors. In many cases, external directors of companies are friendly with internal board members and thus avoid making frank criticism. External board members may lack expertise in the business or independent information on which to question staff analysis. These problems could be solved by creating professional external directors, much like external auditors.

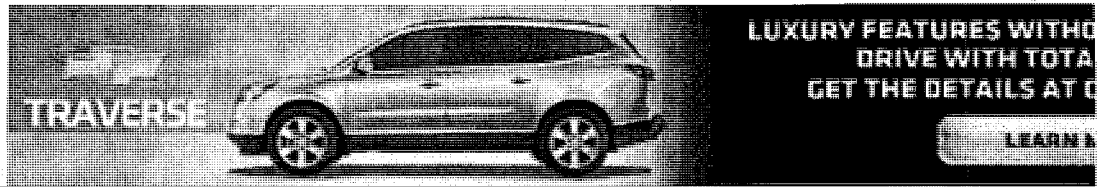
Tenth, consolidate settlement of over-the-counter trading and credit default swaps. The dispersion of OTC transactions makes it virtually impossible to follow flows. This is a particular problem in the CDS market. Regulators and investors need a better grasp of such flows to pre-empt problems. Contract standardisation is crucial.

Finally, standardise cross-border collateral agreements. Common rules are needed so that banks can pledge collateral with confidence across countries and be confident that contracts are enforceable. Absent such rules, interbank markets are more likely to freeze or stampede at the first sign of trouble.

The writer is director of the Global Security Research Institute at Keio University. He served as minister of economics, minister of financial reform and minister of internal affairs and communications under prime minister Junichiro Koizumi

Copyright The Financial Times Limited 2008

"FT" and "Financial Times" are trademarks of the Financial Times. Privacy policy | Terms
© Copyright The Financial Times Ltd 2008.



guardian.co.uk

Cif America

The best of intentions go bust

Greed and corruption didn't cause the Wall Street crisis. Its roots lie in the unintended consequences of sound policy decisions



Barry Eichengreen

guardian.co.uk, Thursday 2 October 2008 19.30 BST

A [larger](#) | [smaller](#)

Getting out of our current financial mess requires understanding how we got into it in the first place. The fundamental cause, according to the likes of John McCain, was greed and corruption on Wall Street. Though not one to deny the existence of such base motives, I would insist that the crisis has its roots in key policy decisions stretching back over decades.

In the US, there were two key decisions. The first, in the 1970s, deregulated commissions paid to stockbrokers. The second, in the 1990s, removed the Glass-Steagall Act's restrictions on mixing commercial and investment banking. In the days of fixed commissions, investment banks could make a comfortable living booking stock trades. Deregulation meant competition and thinner margins. Elimination of Glass-Steagall then allowed commercial banks to encroach on the investment banks' other traditional preserves.

In response, investment banks branched into new businesses like originating and distributing complex derivative securities. They borrowed money and put it to work to sustain their profitability. This gave rise to the first causes of the crisis: the originate-and-distribute model of securitisation and the extensive use of leverage.

It is important to note that these were unintended consequences of basically sensible policy decisions. Other things being equal, deregulation allowed small investors to trade stocks more cheaply, which made them better off. But other things were not equal. In particular, the fact that investment banks, which were propelled into riskier activities by these policy changes, were entirely outside the regulatory net was a recipe for disaster.

Similarly, eliminating Glass-Steagall was fundamentally sensible. Conglomerates allow financial institutions to diversify their business, and combining with commercial banks allows investment banks to fund their operations using relatively stable deposits instead of fickle money markets. This model has proven its viability in Europe over a period of centuries, and its advantages are evident in the US even now with Bank of America's purchase of Merrill Lynch.

But conglomeratisation takes time. In the short run, Merrill, like the other investment banks, was allowed to double up its bets. It remained entirely outside the purview of the regulators. As a stand-alone entity, it was then vulnerable to market swings. A crisis sufficient to threaten the entire financial system was required to precipitate the inevitable conglomeratisation.

The other element in the crisis was the set of policies that gave rise to global imbalances. The Bush administration cut taxes. The Fed cut interest rates in response to the 2001 recession. Financial innovation, meanwhile, worked to make credit even cheaper and more widely available. This, of course, is just the story of subprime mortgages in another guise. The result was increased US spending and the descent of measured household savings into negative territory.

Of equal importance were the rise of China and the decline of investment in Asia following the 1997-1998 financial crisis. With China saving nearly 50% of its GNP, all that money had to go somewhere. Much of it went into US treasuries and the obligations of Fannie Mae and Freddie Mac. This propped up the dollar and reduced the cost of borrowing for US households, encouraging them to live beyond their means. It also created a more buoyant market for the securities of Freddie and Fannie, feeding the originate-and-distribute machine.

Again, these were not outright policy mistakes. Lifting a billion Chinese out of poverty is arguably the single most important event in our lifetimes. The fact that the Fed responded quickly prevented the 2001 recession from worsening. But there were

unintended consequences. The failure of US regulators to tighten capital and lending standards when abundant capital inflows combined with loose Fed policies ignited a furious credit boom. The failure of China to move more quickly to encourage higher domestic spending commensurate with its higher incomes added fuel to the fire.

Now, a bloated financial sector is being forced to retrench. Some outcomes, like the marriage of Bank of America and Merrill Lynch, are happier than others, like the bankruptcy of Lehman Brothers. But, either way, there will be downsizing. Foreign central banks are suffering capital losses on their unthinking investments. As they absorb their losses on US Treasury and agency securities, capital flows toward the US will diminish. The US current-account deficit and the Asian surplus will shrink. US households will have to start saving again.

The one anomaly is that the dollar has strengthened in recent weeks. With the US no longer viewed as a supplier of high-quality financial assets, one would expect the dollar to have weakened. The dollar's strength reflects the knee-jerk reaction of investors rushing into US treasuries as a safe haven. It is worth remembering that the same thing happened in August 2007, when the subprime crisis erupted. But once investors realised the extent of US financial problems, the rush into treasuries subsided, and the dollar resumed its decline. Now, as investors recall the extent of US financial problems, we will again see the dollar resume its decline.

Emphasising greed and corruption as causes of the crisis leads to a bleak prognosis. We are not going to change human nature. We cannot make investors less greedy. But an emphasis on policy decisions suggests a more optimistic outlook. Unintended consequences cannot always be prevented. Policy mistakes may not always be avoidable. But they at least can be corrected. That, however, requires first looking more deeply into the root causes of the problem.

guardian.co.uk © Guardian News and Media Limited 2008

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Memorandum	Cost of the Financial Rescue Operation - To: POTUS - From: Jane Ihrig	3	11/26/2008	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

OA Num.:

13177

NARA Num.:

13333

FOIA IDs and Segments:

2014-0222-F

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Presentation	Financial Turmoil Policy Response	13	11/04/2008	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

OA Num.:

13177

NARA Num.:

13333

FOIA IDs and Segments:

2014-0222-F

RESTRICTION CODES**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Memorandum	[Memo] - To: Members of the Executive Board - From: The Acting Secretary	1	08/21/2008	P1/b1;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

OA Num.:

13177

NARA Num.:

13333

FOIA ID and Segment:

2014-0222-F

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Report	[Report]	20	08/2008	P1/b1; P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Marron, Donald - Subject Files

FOLDER TITLE:

Financial Crisis - TARP (Troubled Asset Relief Program) - Senate Passed [2]

FRC ID:

13210

OA Num.:

13177

NARA Num.:

13333

FOIA ID and Segment:

2014-0222-F

RESTRICTION CODES**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.