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Those who cannot remember the past are condemned to repeat it. Santayana

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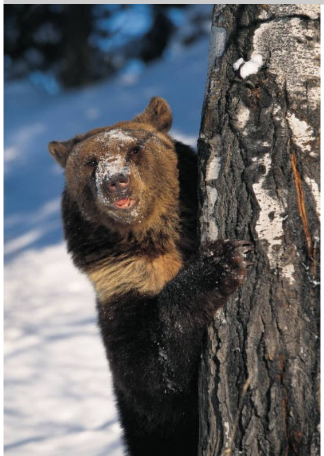
WINTER WARNING



Economic Initiatives and Commentary of the Bush and Obama Administrations

Timeline 2008

September 18: "There will be ample opportunities to debate the origins of this problem. Now is the time to solve it" – President George Bush

September 19: The U.S. Government expends $814 billion (U.S.) on the take-overs of mortgage giants Fannie Mae and Freddie Mac and insurance colossus American International Group (AIG)

October 15: The U.S. Congress passes emergency legislation to create a $700 billion (U.S.) Troubled Asset Relief Plan (TARP) allowing the U.S. Treasury to directly purchase up to $250 billion (U.S.) of senior preferred shares, carrying a dividend of 5%, of banks and designated financial institutions for a period of three years

November 3: "I had made a mistake in presuming that the self-interests of organizations, specifically banks and others, were such that they were best capable of protecting their own shareholders and the equity in the firms … I have been going for 40 years or more, with very considerable evidence that my ideology was working exceptionally well" – Former Federal Reserve Board Chairman Alan Greenspan

November 22: "A different Treasury would have taken a different approach. I don't think the economy has been well managed and that has been comical for the problems we're facing" – Lawrence Summers

November 24: The U.S. Treasury injects $20 billion of capital into Citibank and guarantees a $306 billion (U.S.) pool of Citibank's troubled assets, including mortgage-backed securities

November 25: The U.S. Treasury announces it will allocate $20 billion (U.S.) of TARP funds to the Federal Reserve to back a lending facility for the consumer asset backed securities market, established by the Federal Reserve Bank of New York who will lend up to $200 billion (U.S.) on a non-recourse basis to holders of newly-rated 'AAA' rated asset-backed securities for a term of at least one year

December 8: President Elect Obama proposes creation of a massive $800 billion (U.S.) infrastructure spending program to include repairs to roads and bridges; schools; sewer systems; mass transit; electrical grids; dams and other public utilities.

December 8: "I believe that the policy responses taken here and by our international partners, together with the underlying vitality and resilience of the American economy, will help to restore confidence in our financial system and place our economy back on the path to vigorous growth" – Federal Reserve Board Chairman Ben Bernanke

December 9: The U.S. Democratic leadership begins work on a $15 billion (U.S.) short term loan for the automakers Chrysler and General Motors, with the moral support of the incoming Obama administration

December 10: The U.S. House of Representatives approves a $14 billion (U.S.) rescue package for the U.S. auto industry

December 15: The Securities Investor Protection Corp. (SIPC), which maintains a special reserve fund authorized by Congress, to help investors at failed brokerage firms, announces that it is liquidating assets of Bernard L. Madoff Investment Securities LLC of New York, under the Securities Investor Protection Act (SIPA)

December 16: The Federal Reserve Open Market Committee sets a 0 - .25% target range for the Federal Funds rate, down from 1%. "We will employ all available tools to promote the resumption of sustainable economic growth," including the need to keep interest rates low "for some time" – FOMC

December 19: U.S. President Bush announces a $17.4 billion (U.S.) short term loan to General Motors and Chrysler from TARP funds

2009

January 7: President elect Obama's economic team predicts billion dollar deficits for years to come

January 15: The U.S. Senate approves release of balance of $350 billion (U.S.) of TARP funds to the U.S. Treasury

February 4: U.S. President Obama announces $500,000 annual salary cap for executives of financial services firms which have received funds from the Troubled Asset Relief Program (TARP)

February 6: U.S. President Obama announces the members of his Economic Recovery Advisory Board

February 6: Under the Troubled Asset Relief Program (TARP), the U.S. Treasury overpaid for corporate assets by $78 billion (U.S.)

February 17: U.S. President Obama signs $787 billion (U.S.) economic stimulus bill

February 17: Treasury Secretary Tim Geithner pledges up to $2 trillion to revive bank lending as part of a new Financial Stability Plan. About 50% of the Plan's funds will be used to purchase toxic mortgage-backed securities from banks

February 18: U.S. President Obama announces $75 billion (U.S.) mortgage program to aid troubled homeowners

February 23: U.S. President Obama sets a goal in his fiscal 2010 budget, to reduce the annual U.S. deficit by 50% by the end of his term in office in 2013

February 24: U.S. core inflation will remain low for the next two years and the U.S. economy will recover from recession in 2 – 3 years, as "downside risks to the economy probably outweigh upside risks" today – Ben Bernanke

February 26: U.S. Congressional Budget Office (CBO) predicts the U.S. government deficit for fiscal 2010 will be $1.75 trillion (U.S.), representing 12% of gross domestic product (GDP) and the White House forecasts a 2013 fiscal deficit of $533 billion (U.S.), representing 3% of GDP

February 27: The U.S. Treasury increases ownership in CitiGroup to 36% while the company takes a $9.68 billion (U.S.) write down in the 4th. quarter; suspends its quarterly dividend and reorganizes its board of directors, with emphasis on independent members

March 4: U.S. Federal Reserve reports continued downward pressure within the U.S. economy through the last week of February – FOMC Beige Book

March 5: Sheila Bair, Chairperson of the U.S. Federal Deposit Insurance Corp. (FDIC), which is responsible for insuring deposits in banks, says the FDIC is running short of money due to a recent parade of bank failures. In order to replenish funds, Senate Banking Committee Chairman Christopher Dodd, is working to enable the FDIC to temporarily borrow as much as $500 billion (U.S.) from the U.S. Treasury Department

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March 10: Federal Reserve Board Chairman Ben Bernanke, urges a regulatory overhaul of the U.S. financial system

March 15: “The lesson of history is that you do not get a sustained economic recovery as long as the financial system is in crisis” – Ben Bernanke

March 15: “I think we’ve averted that risk (heading to a new American depression). I think we’ve gotten past that and now the problem is to get the thing working properly again” – Ben Bernanke

March 16: “We’ll see the recession coming to an end probably this year” – Ben Bernanke

March 18: The American economy has contracted further, suffering additional “job losses, declining equity and housing wealth and tight credit conditions have weighed on consumer sentiment and spending.” Accordingly, it announced that the Fed will purchase $300 billion (U.S.) of long term Treasury bonds over the next 6 months – FOMC Beige Book

March 19: The Treasury Department announces a $5 billion (U.S.) Supplier Support Program, to aid struggling auto parts suppliers by guaranteeing their receivables, which will prevent supplier loan defaults

March 20: The Congressional Budget Office calculates that President Obama’s budget for fiscal 2010 will create deficits totaling $2.3 trillion (U.S.) in excess of its projections over the next decade. The difference largely reflects the administration’s more optimistic forecasts of economic growth through 2019

March 23: Under a new Public – Private Investment Plan, the U.S. Government will provide financing for $500 billion (U.S.) to $1 trillion (U.S.) in purchasing power for the private sector to participate with government, in the purchase of troubled or toxic assets, mostly from American banks.

March 23: The Fed Open Market Committee announces the launching of the Term Asset Loan Facility (TALF) which will eventually purchase up to $1 trillion in financial assets. These assets will include credit card and auto debt, as well as commercial and residential mortgages.

March 24: U.S. Treasury Secretary Timothy Geithner calls for new financial regulation with stronger government oversight over institutions and markets that could pose systemic risks to the broader economy

March 25: The U.S. is “open to China’s suggestion to consider” IMF Special Drawing Rights as the world’s reserve currency, but still expects the U.S. dollar will remaining that position for quite a long time – Timothy Geithner

March 30: The Obama administration forces the resignation of Rick Wagoner as Chief Executive Officer (CEO) of General Motors

March 30: The White House directs Chrysler to form a partnership with Italian auto manufacturer Fiat within 30 days, as a condition for receiving further federal government assistance. Chrysler must also reduce its debt and health care obligations.

March 31: The Organization for Economic Co-operation and Development (OECD) cuts its economic outlook for 30 member nations, by forecasting an average GDP contraction rate of 4.3% in 2009 and 0.1% in 2010

April 2: The U.S. Financial Accounting Standards Board (FASB) decides to relax fair market value accounting rules, which will allow banks to make “significant judgments” regarding the valuation of certain illiquid assets

April 3: Leaders of several G20 countries, including the United States, meeting at an economic summit in London, pledge in excess of $1 trillion (U.S.) in financing ($100 billion from the European Union, $100 billion from Japan, $40 billion from China et al) for the International Monetary Fund (IMF)

April 8: The Federal Reserve Open Market Committee (FOMC) released the minutes from its March 17 – 18 meeting, cited a dramatic economic weakening in the United States and across the world, prompting its decision to buy $750 billion (U.S.) in mortgage-backed securities and $300 billion (U.S.) of longer term Treasuries during 2009

April 14: "I am fundamentally optimistic about our economy" – Ben Bernanke

April 14: "The Federal Reserve will certainly do its part to help restore prosperity and opportunity to our economy" – Ben Bernanke

April 14: "The U.S. recession appears to be losing steam, with growth likely to resume later this year, on the back of firmer household spending, a bottoming in the housing market and an end to inventory liquidation" – Ben Bernanke

April 29: The Federal Reserve Board Open Market Committee (FOMC) reaffirms existing monetary policy stating it will keep the Fed Funds rate range at 0 – 0.25% for "an extended period" and maintain existing programs to purchase mortgage-backed securities and U.S. Treasury bonds, without any changes

May 4: The Obama administration announces plans to eliminate the availability of offshore tax havens for businesses and taxpayers, in an attempt to increase government revenues by more than $200 billion (U.S.) over a 10-year period, commencing in 2011. American businesses were quick to react that if such tax changes are passed into law, foreign companies would have a decided competitive advantage

May 5: "We expect that the recovery will only gradually gain momentum and that economic slack will diminish slowly" – Ben Bernanke

May 5: "We continue to expect economic activity to bottom out, then turn up later this year" – Ben Bernanke

May 7: The U.S. Federal Reserve Board announces that 10 large U.S. financial institutions will have 30 days to develop plans to raise $74.6 billion (U.S.) in private capital by November /09 as a result of recent "*extraordinarily detailed stress tests*" conducted by the U.S. Treasury Department. Interestingly, the Fed did forecast that 19 of the nation's largest banks could suffer loan losses up to $600 billion (U.S.) by the end of 2010, if the U.S. economy does not recover as it expects.

May 8: The federal National Mortgage Association (Fannie Mae) seeks an additional $19 billion (U.S.) in government bailout money, after recording a loss of $23.17 billion (U.S.) in the 1st. quarter

May 11: The U.S. Treasury increases its forecast for the fiscal 2009 federal government deficit to $1.84 trillion (U.S.)

May 12: The Federal National Mortgage Corp. (Freddie Mac) asks the U.S. Government for additional $6.1 billion (U.S.) in financial aid

May 15: In comments that the Federal Reserve does not have to start raising interest rates soon: "We have some time to observe the performance of the economy and hope that the recovery will, not only materialize, but also, that it has a firm foundation" – Gary Stern, President of the Minneapolis Federal Reserve district bank

May 15: Six major American insurance companies, namely, the Hartford Financial services Group; Prudential Financial; Lincoln National; Allstate; Ameriprise and Principal Financial Group; have qualified for preliminary approval to receive billions of dollars of financial assistance, under the U.S. Federal Government's Troubled Asset Relief Program (TARP)

May 18: The U.S. Treasury is preparing legislation for Congress that would authorize the Federal Reserve

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Board, not only, to act as a reinsurer of municipal and state debt issues, but also, to directly purchase bond issues for the fed's own balance sheet

May 20: "There are important indications that our financial system is starting to heal." – Timothy Geithner

May 20: **"**All members concurred with waiting to see how the economy and financial conditions respond to the policy actions already in place, before deciding whether to adjust the size, or timing of asset purchases" – Federal Open Market Committee (FOMC) Beige Book

May 21: Commenting on media reports suggesting that the U.S. may eventually lose its 'AAA' credit rating: "We must get our fiscal house in order, or risk having government borrowing crowd out productive private investment" – Timothy Geithner

May 22: To the graduating class of the Boston College School of Law: "Things usually have a way of working out" – Ben Bernanke. The Federal Reserve Board Chairman said that the recession-mired U.S. economy would recover and (graduates should) remain optimistic about their job prospects. He also told students to disregard pessimistic commentary about the future of the U.S. economy and its role in the world.

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