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OFFICE OF THE INTERNATIONAL PRESIDENT

GOV – Department of the Treasury

March 19, 2009

Subj: Troubled Asset Relief Program (TARP)

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Geithner,

On behalf of the 730,000-member International Association of Machinists and Aerospace Workers, AFL-CIO, I am writing to urge the Department of the Treasury to issue certain guidelines to Troubled Asset Relief Program (TARP) recipients.

There are a growing number of disturbing reports regarding how banks are using TARP funds. The House Committee on Oversight and Government Reform recently held hearings to investigate TARP-financed transactions in Dubai, India and China. Now we learn that TARP funds are being used to promote mergers in the pharmaceutical industry that are projected to result in the loss of 35,000 jobs, mostly in the United States.

The purpose of TARP and the Emergency Economic Stabilization Act (EESA) is to restore liquidity and stability to the financial system and assist middle class Americans by protecting their home values, college funds, retirement accounts, and life savings. But rather than providing much needed credit to working people, the TARP is being used to lend drug companies $31 billion to finance mergers. JPMorgan Chase is providing $8.5 billion to finance the Merck and Schering Plough merger. Bank of America, Merrill Lynch, Barclays, Citigroup and JPMorgan Chase will provide $22.5 billion to finance the Pfizer and Wyeth deal.

These big mergers in the pharmaceutical industry are not doing anything to stimulate the economy. Instead they are costing thousands of working families their jobs. Merck has announced that, as a result of the merger it will be cutting 16,000 jobs and Pfizer has announced 19,000 layoffs. By financing big mergers in the pharmaceutical industry, TARP funds are being directed in a manner that may force more American families into foreclosure, destroy retirement savings, and make it more difficult to meet daily economic needs.

While working families take the economic hit for these mergers, the banks are using these deals to rake-in profits. For the Merck-Schering Plough merger, Goldman Sachs, JPMorgan and Morgan Stanley will receive a reported $146 million in fees. The Pfizer-Wyeth deal will generate $207 million in profits for Goldman Sachs and JPMorgan.

It is unlikely these mergers will benefit healthcare consumers. Industry leaders have argued that the majority of these pharmaceutical mergers have failed to lower drug costs to consumers, and undercut long-term scientific research and drug development projects.

The pharmaceutical industry remains highly profitable and none of the corporations that are parties to these mergers face current or projected financial distress. In this economy, you would think banks could identify companies that truly need TARP funds to grow their business and expand American jobs.

While the Treasury Department should not have to micro-manage every TARP transaction, the Federal Government has a responsibility to ensure that banks use these taxpayers' funds in a manner that is consistent with the stated purpose of the EESA. Therefore, I urge you to quickly issue clear guidelines to TARP recipients that make certain these funds provide tangible economic benefits to American families rather than financing the elimination of tens of thousands of jobs.

I appreciate your attention to this matter and look forward to your prompt response.

Very truly yours,

R. Thomas Buffenbarger

R. Thomas Buffenbarger
INTERNATIONAL PRESIDENT

RTB/mb

cc: Sen. Chris Dodd, Chair, Senate Committee on Banking, Housing and Urban Affairs
Rep. Barney Frank, Chair, House Committee on Financial Services
Rep. Edolphus Towns, Chair, Committee on Oversight and Government Reform
Neel Kashkari, Interim Assistant Secretary for Financial Stability
Elizabeth Warren, Chair, Congressional Oversight Panel
Neil Barofsky, Special Inspector General for the Troubled Asset Relief Program
John Sweeney, President, AFL-CIO
Gordon Pavy, Director, Collective Bargaining Department, AFL-CIO