



Transcripts

Geithner to unveil financial rescue plan on Monday

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PAUL KANGAS: President Obama has made it clear that solving the banking crisis is critical to economic recovery. On Monday, Treasury Secretary Timothy Geithner will outline the administration's financial rescue plan. Things that might be included: a new strategy for the TARP plan; a bank to buy bad assets; and keeping tight tabs on how tax dollars are spent. As Washington bureau chief Darren Gersh reports, any plan has to pass a few critical tests. DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: The first test of the financial rescue plan Treasury Secretary Timothy Geithner unveils on Monday is whether it is simple enough to work. Economist Vince Reinhart says a plan that is too complicated could undermine confidence.

VINCENT REINHART, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE: If it is simple enough to be explained well, it's working on a few core principles that people can understand and that people can use to help predict what the government does going forward.

GERSH: Another key test for the Obama administration is transparency and accountability for government money. A plan that passes that test would help investors judge whether to put new money into banks, but even more importantly, it would address political outrage over bank bailouts.

CHRISTINA ROMER, CHAIR, COUNCIL OF ECONOMIC ADVISERS: One thing we will absolutely correct is that lack of transparency.

GERSH: Christina Romer chairs President Obama's Council of Economic Advisers.

ROMER: I think one of the reasons that the American people are so unhappy with how the money has been spent before is they don't have a sense of what it's doing. They have a fear that it's being misused.

GERSH: Those fears grew this week after new reports showed the government overpaid when it injected money into banks last fall. Whether the Obama administration buys assets outright or agrees to insure their value, it will be setting prices and how it does that is critical. Economist Peter Cramton fears taxpayers will pay more if the government tries to negotiate deals bank by bank.

PETER CRAMTON, ECONOMICS PROF., UNIVERSITY OF MARYLAND: The banks know more. They essentially hold the cards and the bankers as we know, investment bankers, one thing they are good at is negotiating. They're extremely good negotiators. That's how they got to where they are.

GERSH: One thing is certain. A financial rescue plan will not be perfect. The current crisis is so deep and broad, analysts say policy makers are forced to choose between options that run from expensive and difficult to extremely expensive and difficult. Darren Gersh, NIGHTLY BUSINESS REPORT, Washington.

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