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Geithner Expects Bailout Program to End Soon

By THE ASSOCIATED PRESS

WASHINGTON (AP) — [Treasury Secretary Timothy F. Geithner](#) affirmed Wednesday the administration's intent to end the \$700 billion financial bailout program soon.

Although Mr. Geithner did not provide details, he said the government was close to the point at which "we can wind down this program" and end it.

"Nothing would make me happier," he told the Senate Agriculture Committee.

Some lawmakers have been agitating for an exit from the politically unpopular bailout program, approved by Congress at the height of the [financial crisis](#) in October 2008 as a way to supply banks with fresh capital.

Mr. Geithner said legislation to bring transparency to the global, unregulated \$600 trillion [derivatives](#) market was needed soon to restore confidence in the financial system. He faced friendly questioning from the agriculture panel, in sharp contrast to a sometimes contentious hearing two weeks ago by the Joint Economic Committee — with one lawmaker calling on him to resign.

But there was gentle prodding from some senators Wednesday regarding the Treasury Department's so-called Troubled Assets Relief Program.

Mr. Geithner said at the Nov. 19 hearing that "substantial resources" remaining in the TARP fund would be used to pay down the national debt, which is being pushed higher by record deficits including a \$1.42 billion imbalance for the budget year that ended Sept. 30. Even hundreds of billions of dollars would be a fraction of the \$12 trillion debt, but it could lessen political unhappiness if portions of the bailout program are allowed to continue.

With regard to derivatives, the complex instruments blamed for hastening the financial crisis, some lawmakers want to exempt companies that use them to hedge against risk from new requirements in the overhaul legislation.

A potent coalition of about 170 so-called end-user companies — including the [Boeing Company](#), Caterpillar, the [Ford Motor Company](#), the [General Electric Company](#) and the [Shell Oil Company](#) — has been lobbying Congress with the message that regulation of derivatives without exceptions could severely increase costs for corporations. That could mean higher costs passed on to consumers and imperiled jobs, they contend.

“Many end users have told me this would add considerable costs and would likely be passed along to consumers,” said Senator [Saxby Chambliss](#) of Georgia, the committee’s senior Republican.

Mr. Geithner said exemptions should apply to a “limited number of nonfinancial companies ... people that are making things and selling things across the country.”

The value of derivatives hinges on an underlying investment or commodity — such as currency rates, [oil](#) futures or interest rates. The derivative is designed to reduce the risk of loss from the underlying asset.

[Credit default swaps](#), a form of insurance against loan defaults, account for an estimated \$60 trillion of the worldwide derivatives market. The collapse of the swaps brought the downfall of Wall Street banking house [Lehman Brothers](#) and nearly toppled [American International Group](#) last year at the height of the crisis, spurring the government to support the insurance conglomerate with about \$180 billion in aid.

The administration’s proposal is close to the legislation in the House, requiring most derivatives trades to go through clearinghouses to bring transparency, and subjecting financial firms dealing in the instruments to new capital requirements.

All derivatives contracts that are “liquid and standardized” — backed with cash and not designed for specific users in a transaction — should go through well-regulated clearinghouses, Mr. Geithner said. There should be a presumption that a contract accepted for clearing by one of the houses and approved by the [Commodity Futures Trading Commission](#) or the [Securities and Exchange Commission](#) must be centrally cleared.

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