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Treasury Secretary Urges Quick Action on Jobs Plan

By BINYAMIN APPELBAUM

WASHINGTON — Treasury Secretary **Timothy F. Geithner** told Congress on Thursday that legislative action was required to buttress the American economy, particularly as economic conditions in Europe continued to deteriorate.

Mr. Geithner urged passage of the Obama administration's jobs plan, warning that the economy remains weak and that a failure to act would raise taxes for families and businesses, as existing tax breaks lapse at the end of the year.

“In the face of the situation in Europe, and the general slowdown across the world, the most important thing we can do is take strong steps to strengthen our economy at home,” Mr. Geithner told a Senate committee.

In addition to stimulating domestic growth, Mr. Geithner said the Obama administration was responding in two ways to the problems in Europe: by encouraging European leaders to move more quickly and forcefully and by monitoring the health of the financial system.

“Developments in Europe can have big effects on the United States economy, big effects on confidence, big effects on financial markets,” he said.

The back-to-back hearings before Senate and House committees, Mr. Geithner's first public appearance on Capitol Hill in several months, offered a microcosm of the political divisions that have paralyzed Washington. Democrats pressed for fresh government action to spur growth, create jobs and help homeowners facing foreclosure. Republicans said the government was preventing growth and urged a primary focus on reducing federal spending and borrowing.

Both sides described their policies as necessary to restore the confidence of businesses and consumers, who have been holding back on spending, a crucial reason for the relatively slow pace of economic growth.

Mr. Geithner said that the summer debate over the [debt ceiling](#) had undermined public confidence in the ability of political leaders. He said that the economy also was suffering from a surfeit of caution, particularly on the part of financial companies that are avoiding riskier loans for fear of renewed losses.

"If you look at the economy at the moment, the biggest risk we face is institutions not taking enough risk," Mr. Geithner said.

Spencer Bachus, the Alabama Republican who is chairman of the House Financial Services Committee, responded sharply to this account, asserting that banks were avoiding risks because of the heavy hand of government regulators.

"I'm not sure you have a clear picture of reality," he told Mr. Geithner.

Other Republicans took up the same point, arguing that the lack of confidence reflected a significant increase in government regulation, the overhang of federal debt and fear of additional government interference.

Addressing similar comments from another Republican lawmaker later in the hearing, Mr. Geithner responded, "The argument that what's hurting the economy now is an excess of regulation is without

foundation.”

The Treasury secretary also faced unusually sharp questioning from Democrats frustrated by the failure of the White House to help homeowners facing foreclosure, expand access to mortgage loans or stabilize home prices.

Representative Luis Gutierrez, an Illinois Democrat, faulted Mr. Geithner over the recently concluded Home Affordable Mortgage Program, which managed to spend almost none of its \$50 billion budget for mortgage [loan modifications](#).

“It’s terrible,” Mr. Gutierrez said.

Senator Jack Reed, Democrat of Rhode Island, told Mr. Geithner that it was “certainly the perception on Main Street” that the economy could not recover until the housing market was stabilized, including a reduction in the number of foreclosures.

“We haven’t done enough,” Mr. Reed said.

Mr. Geithner said that he agreed that the administration’s efforts had not met expectations, and he pointed to efforts by the Federal Housing Finance Agency to reduce barriers to refinancing, which he said could be introduced next week.

“We are doing as much as we can with the authority we have to help people caught up in this crisis,” Mr. Geithner said.



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