

Geithner: Expand IMF loans

Treasury chief wants big boost in program that lends to troubled countries. He also signals support for stimulating economies and strengthening regulations.

By Jennifer Liberto, CNNMoney.com senior writer
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WASHINGTON, D.C. (CNNMoney.com) -- U.S. Treasury Secretary Tim Geithner on Wednesday said he wants to expand by ten-fold an emergency international fund that loans money to troubled countries.

The International Monetary Fund offers lifelines to countries in crisis. The program Geithner is targeting can loan out a total of \$50 billion by drawing on lines of credit from wealthy countries.

Geithner wants the program expanded to \$500 billion, acknowledging the move as a "very dramatic expansion." He wants the loans to go to more countries.

In recent weeks, IMF officials and world finance leaders have talked about bulking up resources to lend to troubled countries, but this is the first time the United States has publicly weighed in on the idea. And it signals a willingness to pursue a global financial agenda, even as the domestic one is not quite settled.

"As we move domestically to pursue broad legislation, we want to move in parallel with the rest of the world, because our markets are global," Geithner said. "Nothing we do domestically in the United States will be as effective if we don't pull the world, too, to a stronger framework to preventing future financial crisis."

Congress would have to sign off on greater U.S. participation in the IMF loan program. Currently, the U.S. share of the \$50 billion loan program is about \$10 billion. And if the program increases to \$500 billion, the U.S. share could increase to as much as \$100 billion.

However, Geithner said he's hoping other countries with financial means, such as China, would also pitch in.

Congress doesn't have to come up with any money for the loan program, but it has to approve a request to give a bigger credit line to IMF. It's rare for countries that borrow from IMF to default. And

even if they did, IMF has other ways and other assets to make sure countries like United States get repaid, said Brad Setser, a former IMF employee who works for the Council on Foreign Relations in New York.

This weekend, Geithner is set to meet with finance ministers of other G-20 nations to lay the ground work for a final summit on April 2 in London. The G-20 nations include the United States, China, Germany, Brazil and South Africa.

In recent weeks, finance officials from other countries have complained that the United States was too focused on pushing other countries to pass economic stimulus plans rather than strengthening global regulations to prevent the kind of things that caused the crisis, several international economists said.

Geithner said he was "surprised" by such reports and said that he believes that other countries need to push forward both on stimulating their economies as well as on regulation reforms.

Economists say that Geithner's proposals were steps toward a more coordinated global response to the financial crisis.

"It's a very important signal, because he's showing flexibility with the United States' position to competing agendas," said Eswar Prasad, a senior fellow on international financial systems at the Brookings Institution. "He's showing a willingness to engage on priorities to other countries."

Geithner also said he plans to reveal new details on his proposal for stronger regulatory reforms for U.S. companies when he testifies before Congress in two weeks. ■

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