

US's Geithner To Make Concrete IMF, Spending Proposals To G20



By Maya Jackson Randall

Of DOW JONES NEWSWIRES

WEST SUSSEX, U.K. -(Dow Jones)- A plan U.S. Treasury Secretary Timothy Geithner unveiled Wednesday to boost the International Monetary Fund's resources may also help to boost the Obama administration's credibility ahead of a weekend meeting of the world's top finance officials near London.

Geithner has made it clear that he doesn't plan to present a specific plan for overhauling international financial regulations at the Group of 20 meeting of finance ministers and central bank heads Saturday, even as Europeans view new regulations as a priority.

But experts say Geithner's proposal to expand IMF resources by up to \$500 billion is just one of several unveiled this week that should help erase any doubts that the U.S. is ready to engage with the international community on concrete proposals.

Specifically, Geithner has proposed that G20 nations help dramatically expand the IMF's New Arrangements to Borrow. The NAB, a set of credit arrangements between the IMF and 26 members and institutions that act as emergency funding, could be increased by up to \$500 billion and membership could be expanded to include more G20 countries, Geithner said Wednesday. The goal, he said, is to ensure that the IMF has adequate resources to respond to the current crisis.

The U.S. share of the current credit arrangement is about 20%, meaning the U.S. could contribute about \$100 billion to the facility under the proposed expansion.

"They (the Obama administration) are sending a very strong signal that the administration is willing to engage with the international community on IMF funding," said Brookings Institution Senior Fellow and former IMF Director Eswar Prasad, adding that before this week, the administration had seemed to be overwhelmed with domestic problems. "It's a very important thing because it's something concrete and specific."

During the G20 meeting this weekend, officials plan to work on fleshing out a coordinated response to the challenges weighing on the global economy in advance of a major April 2 summit.

Still, this week started off with a string of news reports questioning the U.S.'s willingness or ability to engage with finance ministers ahead of the G20 meetings. For instance, it was reported that the U.K.'s top civil servant, Gus O'Donnell, said he has found it difficult to find people at the U.S. Treasury Department to speak to about the G20 summit. The Treasury has key positions vacant and has been criticized for being thinly staffed at a time when the country is facing an unprecedented financial crisis. In addition, while the U.S. is urging other governments to spend more on efforts to stem the crisis, critics have questioned whether the Obama administration has moved forcefully enough domestically to address the troubled financial markets.

A Wall Street Journal story earlier this week indicated that the U.S. push for more government spending from G20 nations puts it at odds with European nations that prefer to focus more on revamping financial regulation.

But experts say the broad statement Geithner released Wednesday ahead of this weekend's meeting should help to address these concerns. In that statement, Geithner said the U.S. will take the lead on overhaul of international financial regulations and added that the Obama administration plans to lay out critical elements of its program before the April 2 G20 summit.

Geithner said the global recession is deepening and urged the G20 nations to enact ambitious stimulus efforts, boost trade financing and expand the IMF's emergency funds.

The secretary also proposed that the IMF report quarterly on countries' stimulus efforts.

"Whatever concerns may have been raised about the degree of U.S. engagement - and I believe they were unfounded - those concerns ought to have been dispelled by the very clear statements yesterday by Secretary Geithner and President Obama," said Dan Price, who was a deputy national security adviser for President George W. Bush and a personal representative to the Group of Eight and G20 summits under that administration.

Price said he doesn't see a rift between the U.S. and European nations over efforts to coordinate an overhaul of financial regulations.

"There has been some back-and-forth about whether the focus of the meeting should be on stimulus or financial market reform," said Price. "The fact is they go hand in hand. As Federal Reserve Chairman Ben Bernanke recently observed, 'sustainable economic recovery will remain out of reach' until the financial system is stabilized."

However, Prasad of the Brookings Institution said he does see a difference between the U.S. and Europe, and he noted that the U.S. is likely to get substantial push-back on its call for governments to put in place fiscal stimuli of 2% of aggregate gross domestic product each year for 2009 and 2010. Also, European nations

are unlikely to welcome Geithner's proposal to have the IMF issue a quarterly report on nation's spending efforts.

"There are some fundamental differences in the way the U.S. and Europeans are prioritizing what needs to be done," said Prasad.

When it comes to the issue of boosting economic stimulus, "Europeans have a sense they have done a fair amount already," he said.

At the same time, Prasad agrees that it seems as if the U.S. position "evolved" on Wednesday. Statements by President Barack Obama and Geithner that day "suggested a real willingness to find common ground," he said. Prasad said Geithner effectively explained that the U.S. does indeed want to revamp financial market regulations but it just doesn't want to rush into it.

American Enterprise Institute Resident Scholar Vincent Reinhart added that it's unrealistic to think the U.S. would move swiftly on a regulatory overhaul anyway.

"The interests of the U.S./U.K. and Europe fundamentally diverge here," said Reinhart, a former director at the Federal Reserve. "We [the U.S.] benefit from free and open capital markets because we've got the financial centers. Thus, we'll go slow on desires to create international regulation."

-By Maya Jackson Randall, Dow Jones Newswires; 202-862-9255, maya.jackson-randall@dowjones.com

(END) Dow Jones Newswires

03-12-09 1549ET

Copyright (c) 2009 Dow Jones & Company, Inc.

URL for this article:

<http://www.smartmoney.com/news/on/?story=ON-20090312-001027-1549>



[Customer Service](#) | [Magazine Customer Service](#) | [Subscribe to SmartMoney Magazine](#) | [Your Profile](#) | [Contact Us](#)
[About Our Ads](#) | [Corrections](#) | [Custom Publishing](#) | [License Our Content](#) | [Media Kit](#) | [Press Room](#) | [Events](#) | [Site Map](#) | [Labs](#) | 



smSmallBiz™ SMARTMONEY® Layout and look and feel of SmartMoney.com and smSmallBiz.com are trademarks of SmartMoney, a joint venture between Dow Jones & Company, Inc. and Hearst SM Partnership. © 1995 - 2008 SmartMoney. All Rights Reserved. By accessing and using this page, you agree to our [Privacy Policy and Terms of Use](#).

All quotes delayed by 15 minutes. Delayed quotes provided by [Interactive Data Real-Time Services, Inc.](#). Historical prices and fundamental data provided by [Morningstar, Inc.](#). Mutual fund data provided by [Lipper](#). Mutual Fund NAVs are as of previous day's close. Earnings estimates provided by [Zacks Investment Research](#). Insider trading data provided by [Thomson Financial](#). Upgrades and downgrades provided by [Briefing.com](#).

You Are Viewing: [SmartMoney.com](#) — Investing, Saving and Personal Finance.