

Geithner tells Europeans to work together on debt crisis

Written by reuters

Saturday, 24 September 2011 11:45



TIMOTHY GEITHNER

WASHINGTON — Treasury Secretary Timothy F. Geithner bluntly told European governments on Saturday to eliminate the threat of a catastrophic financial crisis by teaming with the European Central Bank to bolster the continent's bailout capacity.

Mr. Geithner, in his most explicit language to date, said fiscal authorities should work more closely with the central bank to ensure that euro-area governments with sound policies have access to affordable financing and to ensure that European banks have adequate capital and liquidity to weather the crisis.

“The threat of cascading default, bank runs, and catastrophic risk must be taken off the table, as otherwise it will undermine all other efforts, both within Europe and globally. Decisions as to

Geithner tells Europeans to work together on debt crisis

Written by reuters

Saturday, 24 September 2011 11:45

how to conclusively address the region's problems cannot wait until the crisis gets more severe," he said.

Mr. Geithner has been lobbying for weeks for European officials to leverage their European Financial Stability Fund of 440 billion euros or \$603 billion through the central bank to increase its capacity.

His statement suggested that he wanted Europe to employ the bank's balance sheet in the same manner as the Federal Reserve did with Treasury capital during the 2008-09 financial crisis.

The Treasury in 2008 pledged \$20 billion in capital to allow the Federal Reserve to lend \$200 billion to restart credit markets frozen by the financial crisis.

Mr. Geithner said that because inflation risks were largely less acute, some central banks had room to further ease policy, keep rates lower longer and slow the pace of expected tightening.

He also said that the monetary fund was still falling short in assessing exchange rate policies and should itself be subject to more scrutiny.