The full impact of TARP

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THE federal Troubled Asset Relief Program, or TARP, came to an official end last week.

The White House said it saved the U.S. financial system and hinted the $50 billion cost to taxpayers was a bargain. Neel Kashkari, who set up TARP in the waning days of the Bush administration, called it a "resounding success."

Others are less effusive. U.S. Sen. Tom Coburn, R-Muskogee, was there when Bush officials pointed to the abyss into which they said the financial system would crash without quick federal action. Yet today the physician-senator, who voted for TARP, likens it to heroic measures in the ER that look differently in hindsight.

Certainly, it will take more time to accurately assess TARP in a way that will inform policymakers going forward.

To be fair, TARP has suffered from some bad raps. First, lots of Americans believe it spent $700 billion, the full amount authorized by Congress late in 2008. The actual figure was about $365 billion. There's also the belief that TARP was intertwined with the federal stimulus package crafted by the Obama administration and congressional Democrats, which itself has fallen into disfavor for failing to stimulate new private-sector job growth. The two are unrelated.

Still, there are a number of legitimate reasons to question TARP.

It was sold to Congress and the public as a program to buy up bad or toxic assets sinking the balance sheets of financial institutions. Yet within weeks of TARP's creation officials abandoned that strategy and started using the money to buy stocks of troubled institutions like AIG and General Motors, shoring them up.

It probably wasn't deliberate bait and switch, but it left that impression. Coburn has been critical of TARP's management, under the Bush and Obama administrations, and others note the toxic assets that brought on the crisis remain unresolved.

Deeper, and perhaps more concerning, is criticism that TARP, even as modified, hasn't turned around credit markets or restored consumer confidence. And the precedent has been set for taxpayers to rescue firms deemed "too big to fail," like AIG. "Everybody's going to expect to be bailed out," the Cato Institute's Mark Calabria told CNBC recently.

Other effects are harder to quantify but nonetheless important. The argument for TARP, at a time of near-panic, must be a factor in the current anemic economy. "There's no doubt in my mind that the selling of TARP created enormous fear and uncertainty and deepened and prolonged the recession," writes LECG Global Financial Services Chairman Bill Isaac for CNBC.com.

So TARP is finished, yet the analysis has only begun as ramifications of the dramatic federal intervention and the secondary and tertiary ripples it caused are fully reckoned.

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