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Geithner's lifelong love of bailouts

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Treasury Secretary Timothy Geithner faces tough hearings next week before the House Oversight and Government Reform Committee. But will any of the Congress members take him to task for his own role in creating last year's financial crisis?

Geithner refuses to take responsibility for "the legacy of crises you've [that is, the Republicans] bequeathed this country," as he told Rep. Kevin Brady (R-Texas) before the Joint Economic Committee in November. He apparently believes that the long string of Wall Street bailouts with which he's been associated -- starting with the Mexican "peso crisis" in 1994 -- had nothing to do with our financial institutions' widespread expectation that Washington would bail them out when they screwed up big-time.

Indeed, Geithner's consistent support for big-bank rescues dooms any real efforts to end "too big to fail." That's why, for the nation to truly move past the crisis, Geithner needs to go.

Although Geithner first came to Treasury in 1988, he didn't hold any leadership positions until 1995. But it was during those early years that he developed his apparent contempt for Congress and representative government.

In 1994, Mexico found itself unable to repay loans to a host of Wall Street investment banks. The Clinton administration pushed legislation to lend Mexico the cash -- but the new Congress voted it down. Geithner, then deputy assistant secretary for international monetary and financial policy, orchestrated back-door assistance to Mexico via Treasury's Exchange Stabilization Fund.

There was a national-interest case for helping out our southern neighbor. But it remains true that Wall Street was a huge beneficiary of that rescue -- it escaped paying a price for tens of billions in foolish lending.

Geithner, meanwhile, soon found himself in the middle of another round of bailouts -- as Treasury Secretary Robert Rubin's point man with the International Monetary Fund on the Asian financial crisis. The claim was that IMF "rescue packages" were needed to stabilize Asian economies -- but US banks again saw their losses reduced as a result.

On leaving Treasury, Geithner soon ended up at the IMF, an organization whose primary purpose seems to be to bail out US and European banks when they suffer losses on their developing-world investments -- a mission Geithner evidently shares.

From 2003 until his 2009 appointment as Treasury secretary, Geithner served as president of the Federal Reserve Bank of New York. The New York Fed's role as the top Wall Street watchdog can't be overstated -- so if regulatory failure contributed to the recent financial crisis, then few regulators contributed more than the New York Fed and its chief, Tim Geithner.

Plus, the New York Fed chief is a permanent member of the Federal Open Market Committee -- the Fed body that determines monetary policy. And Geithner strongly supported the Fed policies of that era -- particularly the overly expansionary monetary policy that directly contributed to the housing bubble.

Yes, the chief blame falls on former Fed Chairman Alan Greenspan (and to a lesser degree with then-Fed governor Ben Bernanke), but Geithner had plenty of chances to voice concerns about the growing housing bubble. He didn't.

Thankfully, Secretary Geithner's efforts to move his financial-regulatory "reforms" through Congress have so far failed. The core of his plan involves giving the Fed *permanent* bailout authority, which would be an unmitigated disaster: We need to *end* the cycle of bailouts, not double down on it.

If there's a common thread to almost every bank bailout over the last 15 years, it's that Timothy Geithner was always somewhere in the room. Each of these "rescues" brought short-term stability to our financial markets -- but only at the cost of long-term instability.

Only a handful of individuals could truly be called architects of our financial-regulatory system. Geithner, without a doubt, is one. To pretend he just now arrived on the scene is not only dishonest, it's dangerous. Without an honest assessment of how the long string of bailouts contributed to the current crisis -- an assessment that involves admitting Geithner's role -- we have little hope of avoiding future crises.

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