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What do you mean "Fix It?"

Probably like you, I have been consuming mass quantities of commentary on the Treasury's plan to deal with "legacy assets" via its proposed Public Private Partnership Investment Program. The notices are too numerous to single out—Google "Geithner Plan" if you somehow feel you might have missed one—but the *New York Times'* Room for Debate feature is a reasonable place to get a one-stop view of some divergent opinions the plan has elicited.

I'm not taking sides on the argument, but I was taken with a metric of success that seemed to permeate the *Times* discussion:

> "The market soared on high hopes that this will solve unfreeze credit and revive the crumbling economy. But is this plan *sufficient to restore the banking system to health*?"

I added emphasis here (with italics), as the notion of restoring the banking system to health (or not) popped up in various ways in the comments from the article's contributing panel of experts. From Paul Krugman:

> "We had vast excesses during the bubble years, and I don't think we can fix the damage with the power of positive thinking plus a bit of financial engineering."

From Simon Johnson:

> "Secretary Geithner's plan might work, in the sense of facilitating the removal of some 'toxic' assets from the balance sheets of major banks. But it is unlikely to work, in the sense of restoring the banking system to health."

From Mark Thoma:

> "How will policymakers be able to tell if the plan is working? The first thing to watch for is whether private money is moving off the sidelines and participating in the program to the degree necessary to solve the problem."

From Brad DeLong:

> "… the Geithner Plan seems to me to be legitimate and useful way to spend $100 billion of TARP money to improve—albeit not fix—the situation."

The phrases that interest me are "*fix the damage,*" "*to work, in the sense of restoring the banking system to health,*" "*solve the problem,*" and "improve—albeit not *fix—the situation*." Each author gives some hint of what they mean by those terms, but in my reading the full meanings are not entirely clear—and I bet not uniform across the contributors.

Let me give an analogy that illustrates why these turns of phrase trouble me. Suppose I have a heart attack, which ultimately leads to bypass surgery. The surgery is successful (by its own measure) and the prognosis for recovery is excellent. Did the procedure "fix" the problem? Not exactly. The procedure put me on the road to recovery, but there will be a protracted period in which I am far from "normal." What's more, it will be an even longer period of time before I am fully up and running on full steam. (And along the way, incidentally, I'd better adopt a new set of rules and regulations governing my behavior, lest I find myself in the same condition again. That will take some getting used to as well.)

So, I wonder, what do most people have in mind when they refer to "fixing" the financial situation, of restoring the patient to health? Do they mean getting back to "normal" or simply being on the road to recovery (even if those travels are slow and painful for some time)?

Given that three of the four authors in the *Times* debate express the view that more policy steps will be needed, I believe there is an awful lot at stake in determining what success actually looks like.

By David Altig, senior vice president and director of research at the Atlanta Fed

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