



## What the banks may be hiding

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Treasury Secretary Timothy Geithner promised more transparency when he announced the government's new bailout package. But do investors really want to know what the banks are hiding? Ashley Milne-Tyte reports.

**KAI RYSSDAL:** One of the big criticisms of the way the Bush administration handled the bank bailout was that the public didn't really know what was going on. We didn't know what the plan was. Especially as it kept changing. And we didn't know how bad the banks' balance sheets really were.

That same criticism is now being leveled at the Obama administration, even though -- or maybe because -- yesterday Treasury Secretary Geithner announced his plan to get banks to be more open. There is a certain sausage factory element that shouldn't be discounted. That maybe we don't want to know what's inside.

Ashley Milne-Tyte reports.

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**ASHLEY MILNE-TYTE:** Members of Congress questioning bank CEOs today may say they want complete transparency. But New York securities lawyer Bill Singer says if they get it, they may not like what they see.

**BILL SINGER:** Well, the ugly detail is most likely that for every dollar that the public thinks is on the books of the banks and the brokerage firms, it may be 10 cents, it may be 20 cents.

Singer says financial institutions and the Treasury are buying time by not revealing too much. But he says they may be underestimating the public's stomach for bad news...

**SINGER:** Anybody that's ever been a patient wants their doctor to give it to them straight. Let me deal with the stress. Let me deal with the problem.

The problem could be so large that it causes markets to crash. [But Matthew Slaughter of the Tuck School of Business says ripping off the bandage and revealing the full wound could be the best option.](#)

**Matthew Slaughter:** There might be a healthy benefit of trying to reduce the degree of uncertainty among a lot of investors and market participants about the current state of these institutions and about how they're gonna try to move beyond the current problems.

The market's already fallen almost 50 percent from its highs. So Christopher Thornberg of Beacon Economics says there's no advantage to Treasury keeping anyone in the dark. As for regular bank customers, they're protected.

**Christopher Thornberg:** We have here in the U.S. deposit insurance, and it's been expanded recently up to a quarter-million dollars for most accounts. And no matter how bad off the banks are, people can pretty much rest assured that their particular deposits are OK.

He says if the bailout plan lacks transparency, it's because the administration's still working out what to do.

In New York, I'm Ashley Milne-Tyte for Marketplace.