

## GEITHNER BACKS UP MERKEL'S CRISIS PLAN



US Treasury Secretary Timothy F. Geithner backed up a German-French push for closer economic cooperation in Europe, urging all of the policy makers to work with central banks to erect a "stronger firewall" to end the debt crisis. Geithner, who spoke yesterday in Berlin after the talks with German Finance Minister Wolfgang Schaeuble, praised the commitment to reform programs put in place by the new governments in Spain, Italy and Greece, saying that he is "very encouraged" by the recent efforts to buttress the euro area. He welcomed "progress toward a fiscal compact for the euro zone," repeating language used last week by the European Central Bank President Mario Draghi. "This of course will take time" and "a very substantial commitment and a sustained commitment of political will," Draghi told the reporters. "Financial crisis are ultimately resolved when governments and central banks succeed in creating conditions that make it compelling for investors to take the risk involved in lending to governments and to banks." Geithner's comments backing for the stance of the German Chancellor Angela Merkel and the French President Nicolas Sarkozy were more upbeat than his more recent remarks urging European to move quickly to tackle the crisis. In a September trip to Europe, Geithner urged the leaders to set aside their differences to excise "catastrophic risks" from the markets, prompting European criticism of the US's debt levels. With an EU crisis summit scheduled for December 8-9, Geithner urged policy makers to work with the central banks to try and resolve the uncertainty in the markets, without mentioning the ECB by name. Geithner, who is due to hold talks with Sarkozy in Paris tomorrow after meeting in Frankfurt yesterday with Draghi and the Bundesbank President Jens Weidmann, declined to comment on speculation that the ECB could step up the bond purchases. Draghi said last week that "other elements might follow" if European leaders agree on a "new fiscal compact." "I'm here in Germany, of course, to emphasize how important it is to the United States and to the world economy as a whole that Germany and France succeed alongside the other nations of Europe in building a stronger Europe," said the US Treasury Secretary. The three key elements of success for the euro zone are economic reforms in member states to lay the foundation for future economic growth, reforms to create the architecture of fiscal union to make monetary union more viable for the long run, and financial support by European governments and central banks in the form of a "stronger firewall." Schaeuble said yesterday that a Standard & Poor's downgrade warning for 15 euro-area governments including AAA rated Germany and France will help force European leaders to ratchet up efforts to resolve the two-year-old crisis this week. A day after Merkel and Sarkozy strengthened their push for new rules to tighten euro-area economic cooperation. Schaeuble called S&P's warning the "best encouragement" to drive toward a solution at the summit this week, in Brussels.

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