Geithner, as Member and Overseer, Forged Ties to Finance Club

Doug Mills/The New York Times

PIONEER Since the financial crisis broke, Mr. Geithner has been the federal regulator most willing to "push the envelope" to look for answers, said H. Rodgin Cohen, a prominent Wall Street lawyer.

By JO BECKER and GRETCHEN MORGENSON
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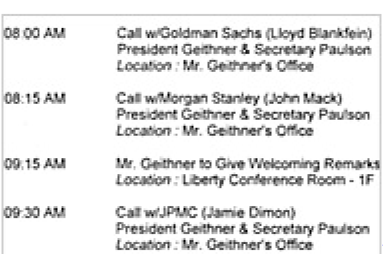
Last June, with a financial hurricane gathering force, Treasury Secretary Henry M. Paulson Jr. convened the nation's economic stewards for a brainstorming session. What emergency powers might the government want at its disposal to confront the crisis? he asked.

Multimedia



08:00 AM	Call w/Goldman Sachs (Lloyd Blankfein) President Geithner & Secretary Paulson *Location* : Mr. Geithner's Office
08:15 AM	Call w/Morgan Stanley (John Mack) President Geithner & Secretary Paulson *Location* : Mr. Geithner's Office
09:15 AM	Mr. Geithner to Give Welcoming Remarks *Location* : Liberty Conference Room - 1F
09:30 AM	Call w/JPMC (Jamie Dimon) President Geithner & Secretary Paulson *Location* : Mr. Geithner's Office

Interactive Feature

[Document File: Geithner’s Calendar at the New York Fed]

An examination of Timothy F. Geithner’s schedules from his time as president of the New York Fed offers a rich account of the people and forces that shaped his thinking and action.

[Share Observations on Geithner’s Calendar]

The Times is inviting readers to comb through the calendars and add remarks.

Graphic

Mr. Geithner’s World

Readers' Comments

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Timothy F. Geithner, who as president of the New York Federal Reserve Bank oversaw many of the nation’s most powerful financial institutions, stunned the group with the audacity of his answer. He proposed asking Congress to give the president broad power to guarantee all the debt in the banking system, according to two participants, including Michele Davis, then an assistant Treasury secretary.

The proposal quickly died amid protests that it was politically untenable because it could put taxpayers on the hook for trillions of dollars.

“People thought, ‘Wow, that’s kind of out there,’ ” said John C. Dugan, the comptroller of the currency, who heard about the idea afterward. Mr. Geithner says, “I don’t remember a serious discussion on that proposal then.”

But in the 10 months since then, the government has in many ways embraced his blue-sky prescription. Step by step, through an array of new programs, the Federal Reserve and Treasury have assumed an unprecedented role in the banking system, using unprecedented amounts of taxpayer money, to try to save the nation’s financiers from their own mistakes.

And more often than not, Mr. Geithner has been a leading architect of those bailouts, the activist at the head of the pack. He was the federal regulator most willing to "push the envelope," said H. Rodgin Cohen, a prominent Wall Street lawyer who spoke frequently with Mr. Geithner.

Today, Mr. Geithner is Treasury secretary, and as he seeks to rebuild the nation's fractured financial system with more taxpayer assistance and a regulatory overhaul, he finds himself a locus of discontent.

Even as banks complain that the government has attached too many intrusive strings to its financial assistance, a range of critics — lawmakers, economists and even former Federal Reserve colleagues — say that the bailout Mr. Geithner has played such a central role in fashioning is overly generous to the financial industry at taxpayer expense.

An examination of Mr. Geithner's five years as president of the New York Fed, an era of unbridled and ultimately disastrous risk-taking by the financial industry, shows that he forged unusually close relationships with executives of Wall Street's giant financial institutions.

His actions, as a regulator and later a bailout king, often aligned with the industry's interests and desires, according to interviews with financiers, regulators and analysts and a review of Federal Reserve records.

In a pair of recent interviews and an exchange of e-mail messages, Mr. Geithner defended his record, saying that from very early on, he was "a consistently dark voice about the potential risks ahead, and a principal source of initiatives designed to make the system stronger" before the markets started to collapse.

Mr. Geithner said his actions in the bailout were motivated solely by a desire to help businesses and consumers. But in a financial crisis, he added, "the government has to take risk, and we are going to be doing things which ultimately — in order to get the credit flowing again — are going to benefit the institutions that are at the core of the problem."

The New York Fed is, by custom and design, clubby and opaque. It is charged with curbing banks' risky impulses, yet its president is selected by and reports to a board dominated by the chief executives of some of those same banks. Traditionally, the New York Fed president's intelligence-gathering role has involved routine consultation with financiers, though Mr. Geithner's recent predecessors generally did not meet with them unless senior aides were also present, according to the bank's former general counsel.

By those standards, Mr. Geithner's reliance on bankers, hedge fund managers and others to assess the market's health — and provide guidance once it faltered — stood out.

His calendars from 2007 and 2008 show that those interactions were a mix of the professional and the private.

He ate lunch with senior executives from Citigroup, Goldman Sachs and Morgan Stanley at the Four Seasons restaurant or in their corporate dining rooms. He attended casual dinners at the homes of executives like Jamie Dimon, a member of the New York Fed board and the chief of JPMorgan Chase.

Mr. Geithner was particularly close to executives of Citigroup, the largest bank under his supervision. Robert E. Rubin, a senior Citi executive and a former Treasury secretary, was Mr. Geithner's mentor from his years in the Clinton administration, and the two kept in close touch in New York.

Mr. Geithner met frequently with Sanford I. Weill, one of Citi's largest individual shareholders and its former chairman, serving on the board of a charity Mr. Weill led. As the bank was entering a financial tailspin, Mr. Weill approached Mr. Geithner about taking over as Citi's chief executive.

But for all his ties to Citi, Mr. Geithner repeatedly missed or overlooked signs that the bank — along with the rest of the financial system — was falling apart. When he did spot trouble, analysts say, his responses were too measured, or too late.

In 2005, for instance, Mr. Geithner raised questions about how well Wall Street was tracking its trading of complex financial products known as derivatives, yet he pressed reforms only at the margins. Problems with the risky and opaque derivatives market later amplified the economic crisis.

As late as 2007, Mr. Geithner advocated measures that government studies said would have allowed banks to lower their reserves. When the crisis hit, banks were vulnerable because their financial cushion was too thin to protect against large losses.

In fashioning the bailout, his drive to use taxpayer money to backstop faltering firms overrode concerns that such a strategy would encourage more risk-taking in the future. In one bailout instance, Mr. Geithner fought a proposal to levy fees on banks that would help protect taxpayers against losses.

The bailout has left the Fed holding a vast portfolio of troubled securities. To manage them, Mr. Geithner gave three no-bid contracts to BlackRock, an asset-management firm with deep ties to the New York Fed.

To Joseph E. Stiglitz, a Nobel-winning economist at Columbia and a critic of the bailout, Mr. Geithner's actions suggest that he came to share Wall Street's regulatory philosophy and world view.

"I don't think that Tim Geithner was motivated by anything other than concern to get the financial system working again," Mr. Stiglitz said. "But I think that mindsets can be shaped by people you associate with, and you come to think that what's good for Wall Street is good for America."

In this case, he added, that “led to a bailout that was designed to try to get a lot of money to Wall Street, to share the largesse with other market participants, but that had deeply obvious flaws in that it put at risk the American taxpayer unnecessarily.”

But Ben S. Bernanke, the chairman of the Federal Reserve, said in an interview that Mr. Geithner’s Wall Street relationships made him “invaluable” as they worked together to steer the country through crisis.

“He spoke frequently to many, many different players and kept his finger on the pulse of the situation,” Mr. Bernanke said. “He was the point person for me in many cases and with many individual firms so that we were prepared for any kind of emergency.”

An Alternate Path

A revolving door has long connected Wall Street and the New York Fed. Mr. Geithner’s predecessors, E. Gerald Corrigan and William J. McDonough, wound up as investment-bank executives. The current president, William C. Dudley, came from Goldman Sachs.

Mr. Geithner followed a different route. An expert in international finance, he served under both Clinton-era Treasury secretaries, Mr. Rubin and Lawrence H. Summers. He impressed them with his handling of foreign financial crises in the late 1990s before landing a top job at the International Monetary Fund.

When the New York Fed was looking for a new president, both former secretaries were advisers to the bank’s search committee and supported Mr. Geithner’s candidacy. Mr. Rubin’s seal of approval carried particular weight because he was by then a senior official at Citigroup.

Mr. Weill, Citigroup’s architect, was a member of the New York Fed board when Mr. Geithner arrived. “He had a baby face,” Mr. Weill recalled. “He didn’t have a lot of experience in dealing with the industry.”

But, he added, “He quickly earned the respect of just about everyone I know. His knowledge, his willingness to listen to people.”

At the age of 42, Mr. Geithner took charge of a bank with enormous influence over the American economy.

Sitting like a fortress in the heart of Manhattan’s financial district, the New York Fed is, by dint of the city’s position as a world financial center, the most powerful of the 12 regional banks that make up the Federal Reserve system.

The Federal Reserve was created after a banking crisis nearly a century ago to manage the money supply through interest-rate policy, oversee the safety and soundness of the banking system and act as lender of last resort in times of trouble. The Fed relies on its regional banks, like the New York Fed, to carry out its policies and monitor certain banks in their areas.

The regional reserve banks are unusual entities. They are private and their shares are owned by financial institutions the bank oversees. Their net income is paid to the Treasury.

At the New York Fed, top executives of global financial giants fill many seats on the board. In recent years, board members have included the chief executives of Citigroup and JPMorgan Chase, as well as top officials of Lehman Brothers and industrial companies like General Electric.

In theory, having financiers on the New York Fed's board should help the president be Washington's eyes and ears on Wall Street. But critics, including some current and former Federal Reserve officials, say the New York Fed is often more of a Wall Street mouthpiece than a cop.

Willem H. Buiter, a professor at the London School of Economics and Political Science who caused a stir at a Fed retreat last year with a paper concluding that the Federal Reserve had been co-opted by the financial industry, said the structure ensured that "Wall Street gets what it wants" in its New York president: "A safe pair of hands, someone who is bright, intelligent, hard-working, but not someone who intends to reform the system root and branch."

Mr. Geithner took office during one of the headiest bull markets ever. Yet his most important task, he said in an interview, was to prepare banks for "the storm that we thought was going to come."

In his first speech as president in March 2004, he advised bankers to "build a sufficient cushion against adversity." Early on, he also spoke frequently about the risk posed by the explosion of derivatives, unregulated insurancelike products that many companies use to hedge their bets.

But Mr. Geithner acknowledges that "even with all the things that we took the initiative to do, I didn't think we achieved enough."

Derivatives were not an altogether new issue for him, since the Clinton Treasury Department had battled efforts to regulate the multitrillion-dollar market. As Mr. Geithner shaped his own approach, records and interviews show, he consulted veterans of that fight at Treasury, including Lewis A. Sachs, a close friend and tennis partner who managed a hedge fund.

Mr. Geithner pushed the industry to keep better records of derivative deals, a measure that experts credit with mitigating the chaos once firms began to topple. But he stopped short of pressing for comprehensive regulation and disclosure of derivatives trading and even publicly endorsed their potential to damp risk.

Nouriel Roubini, a professor of economics at the Stern School of Business at New York University, who made early predictions of the crisis, said Mr. Geithner deserved credit for trying, especially given that the Fed chairman at the time, Alan Greenspan, was singing the praises of derivatives.

Even as Mr. Geithner was counseling banks to take precautions against adversity, some economists were arguing that easy credit was feeding a more obvious problem: a housing bubble.

Despite those warnings, a report released by the New York Fed in 2004 called predictions of gloom “flawed” and “unpersuasive.” And as lending standards evaporated and the housing boom reached full throttle, banks plunged ever deeper into risky mortgage-backed securities and derivatives.

The nitty-gritty task of monitoring such risk-taking is done by 25 examiners at each large bank. Mr. Geithner reviewed his examiners’ reports, but since they are not public, it is hard to fully assess the New York Fed’s actions during that period.

Mr. Geithner said many of the New York Fed’s supervisory actions could not be disclosed because of confidentiality issues. As a result, he added, “I realize I am vulnerable to a different narrative in that context.”

The ultimate tool at Mr. Geithner’s disposal for reining in unsafe practices was to recommend that the Board of Governors of the Fed publicly rebuke a bank with penalties or cease and desist orders. Under his watch, only three such actions were taken against big domestic banks; none came after 2006, when banks’ lending practices were at their worst.

The Citigroup Challenge

Perhaps the central regulatory challenge for Mr. Geithner was Citigroup.

Cobbled together by Mr. Weill through a series of pell-mell acquisitions into the world’s largest bank, Citigroup reached into every corner of the financial world: credit cards, auto loans, trading, investment banking, as well as mortgage securities and derivatives. But it was plagued by mismanagement and wayward banking practices.

In 2004, the New York Fed levied a $70 million penalty against Citigroup over the bank’s lending practices. The next year, the New York Fed barred Citigroup from further acquisitions after the bank was involved in trading irregularities and questions about its operations. The New York Fed lifted that restriction in 2006, citing the company’s “significant progress” in carrying out risk-control measures.

In fact, risk was rising to dangerous levels at Citigroup as the bank dove deeper into mortgage-backed securities.

Throughout the spring and summer of 2007, as subprime lenders began to fail and government officials reassured the public that the problems were contained, Mr. Geithner met repeatedly with members of Citigroup's management, records show.

From mid-May to mid-June alone, he met over breakfast with Charles O. Prince, the company's chief executive at the time, traveled to Citigroup headquarters in Midtown Manhattan to meet with Lewis B. Kaden, the company's vice chairman, and had coffee with Thomas G. Maheras, who ran some of the bank's biggest trading operations.

(Mr. Maheras's unit would later be roundly criticized for taking many of the risks that led Citigroup aground.)

His calendar shows that during that period he also had breakfast with Mr. Rubin. But in his conversations with Mr. Rubin, Mr. Geithner said, he did not discuss bank matters. "I did not do supervision with Bob Rubin," he said.

Any intelligence Mr. Geithner gathered in his meetings does not appear to have prepared him for the severity of the problems at Citigroup and beyond.

In a May 15, 2007, speech to the Federal Reserve Bank of Atlanta, Mr. Geithner praised the strength of the nation's top financial institutions, saying that innovations like derivatives had "improved the capacity to measure and manage risk" and declaring that "the larger global financial institutions are generally stronger in terms of capital relative to risk."

Two days later, interviews and records show, he lobbied behind the scenes for a plan that a government study said could lead banks to reduce the amount of capital they kept on hand.

While waiting for a breakfast meeting with Mr. Weill at the Four Seasons Hotel in Manhattan, Mr. Geithner phoned Mr. Dugan, the comptroller of the currency, according to both men's calendars. Both Citigroup and JPMorgan Chase were pushing for the new standards, which they said would make them more competitive. Records show that earlier that week, Mr. Geithner had discussed the issue with JPMorgan's chief, Mr. Dimon.

At the Federal Deposit Insurance Corporation, which insures bank deposits, the chairwoman, Sheila C. Bair, argued that the new standards were tantamount to letting the banks set their own capital levels. Taxpayers, she warned, could be left "holding the bag" in a downturn. But Mr. Geithner believed that the standards would make the banks more sensitive to risk, Mr. Dugan recalled. The standards were adopted but have yet to go into effect.

Callum McCarthy, a former top British financial regulator, said regulators worldwide should have focused instead on how undercapitalized banks already were. "The problem is that people in banks overestimated their ability to manage risk, and we believed them."

By the fall of 2007, that was becoming clear. Citigroup alone would eventually require $45 billion in direct taxpayer assistance to stay afloat.

On Nov. 5, 2007, Mr. Prince stepped down as Citigroup's chief in the wake of multibillion-dollar mortgage write-downs. Mr. Rubin was named chairman, and the search for a new chief executive began. Mr. Weill had a perfect candidate: Mr. Geithner.

The two men had remained close. That past January, Mr. Geithner had joined the board of the National Academy Foundation, a nonprofit organization founded by Mr. Weill to help inner-city high school students prepare for the work force.

"I was a little worried about the implications," Mr. Geithner said, but added that he had accepted the unpaid post only after Mr. Weill had stepped down as Citigroup's chairman, and because it was a good cause that the Fed already supported.

Although Mr. Geithner was a headliner with Mr. Prince at a 2004 fundraiser that generated $1.1 million for the foundation, he said he did not raise money for the group once on the board. He attended regular foundation meetings at Mr. Weill's Midtown Manhattan office.

In addition to charity business, Mr. Weill said, the two men often spoke about what was happening at Citigroup. "It would be logical," he said.

On Nov. 6 and 7, 2007, as Mr. Geithner's bank examiners scrambled to assess Citigroup's problems, the two men spoke twice, records show, once for a half-hour on the phone and once for an hourlong meeting in Mr. Weill's office, followed by a National Academy Foundation cocktail reception.

Mr. Geithner also went to Citigroup headquarters for a lunch with Mr. Rubin on Nov. 16 and met with Mr. Prince on Dec. 4, records show.

Mr. Geithner acknowledged in an interview that Mr. Weill had spoken with him about the Citigroup job. But he immediately rejected the idea, he said, because he did not think he was right for the job.

"I told him I was not the right choice," Mr. Geithner said, adding that he then spoke to "one other board member to confirm after the fact that it did not make sense."

According to New York Fed officials, Mr. Geithner informed the reserve bank's lawyers about the exchange with Mr. Weill, and they told him to recuse himself from Citigroup business until the matter was resolved.

Mr. Geithner said he "would never put myself in a position where my actions were influenced by a personal relationship."

Other chief financial regulators at the Federal Deposit Insurance Company and the Securities and Exchange Commission say they keep officials from institutions they supervise at arm's length, to avoid even the appearance of a conflict. While the New York Fed's rules do not prevent its president from holding such one-on-one meetings, that was not the general practice of Mr. Geithner's recent predecessors, said Ernest T. Patrikis, a former general counsel and chief operating officer at the New York Fed.

"Typically, there would be senior staff there to protect against disputes in the future as to the nature of the conversations," he said.

Coping With Crisis

As Mr. Geithner sees it, most of the institutions hit hardest by the crisis were not under his jurisdiction — some foreign banks, mortgage companies and brokerage firms. But he acknowledges that "the thing I feel somewhat burdened by is that I didn't attempt to try to change the rules of the game on capital requirements early on," which could have left banks in better shape to weather the storm.

By last fall, it was too late. The government, with Mr. Geithner playing a lead role alongside Mr. Bernanke and Mr. Paulson, scurried to rescue the financial system from collapse. As the Fed became the biggest vehicle for the bailout, its balance sheet more than doubled, from $900 billion in October 2007 to more than $2 trillion today.

"I couldn't have cared less about Wall Street, but we faced a crisis that was going to cause enormous damage to the economy," Mr. Geithner said.

The first to fall was Bear Stearns, which had bet heavily on mortgages and by mid-March was tottering. Mr. Geithner and Mr. Paulson persuaded JPMorgan Chase to take over Bear. But to complete the deal, JPMorgan insisted that the government buy $29 billion in risky securities owned by Bear.

Some officials at the Federal Reserve feared encouraging risky behavior by bailing out an investment house that did not even fall under its umbrella. To Mr. Geithner's supporters, that he prevailed in the case of Bear and other bailout decisions is testament to his leadership.

"He was a leader in trying to come up with an aggressive set of policies so that it wouldn't get completely out of control," said Philipp Hildebrand, a top official at the Swiss National Bank who has worked with Mr. Geithner to coordinate an international response to the worldwide financial crisis.

But others are less enthusiastic. William Poole, president of the Federal Reserve Bank of St. Louis until March 2008, said that the Fed, by effectively creating money out of thin air, not only runs the risk of "massive inflation" but has also done an end-run around Congressional power to control spending.

Many of the programs "ought to be legislated and shouldn't be in the Federal Reserve at all," he contended.

In making the Bear deal, the New York Fed agreed to accept Bear's own calculation of the value of assets acquired with taxpayer money, even though those values were almost certain to decline as the economy deteriorated. Although Fed officials argue that they can hold onto those assets until they increase in value, to date taxpayers have lost $3.4 billion. Even these losses are probably understated, given how the Federal Reserve priced the holdings, said Janet Tavakoli, president of Tavakoli Structured Finance, a consulting firm in Chicago. "You can assume that it has used magical thinking in valuing these assets," she said.

Mr. Geithner played a pivotal role in the next bailout, which was even bigger — that of the American International Group, the insurance giant whose derivatives business had brought it to the brink of collapse in September. He also went to bat for Goldman Sachs, one of the insurer's biggest trading partners.

As A.I.G. bordered on bankruptcy, Mr. Geithner pressed first for a private sector solution. A.I.G. needed $60 billion to meet payments on insurance contracts it had written to protect customers against debt defaults.

A.I.G.'s chief executive at the time, Robert B. Willumstad, said he had hired bankers at JPMorgan to help it raise capital. Goldman Sachs had jockeyed for the job as well, but because the investment bank was one of A.I.G.'s biggest trading partners, Mr. Willumstad rejected the idea. The potential conflicts of interest, he believed, were too great.

Nevertheless, on Monday, Sept. 15, Mr. Geithner pushed A.I.G. to bring Goldman onto its team to raise capital, Mr. Willumstad said.

Mr. Geithner and Mr. Corrigan, a Goldman managing director, were close, speaking frequently and sometimes lunching together at Goldman headquarters. On that day, the company's chief executive, Lloyd C. Blankfein, was at the New York Fed.

A Goldman spokesman said, "We don't believe anyone at Goldman Sachs asked Mr. Geithner to include the firm in the assignment." Mr. Geithner said he had suggested Goldman get involved because the situation was chaotic and "time was running out."

But A.I.G.'s search for capital was fruitless. By late Tuesday afternoon, the government would step in with an $85 billion loan, the first installment of a bailout that now stands at $182 billion. As part of the bailout, A.I.G.'s trading partners, including Goldman, were compensated fully for money owed to them by A.I.G.

Analysts say the New York Fed should have pressed A.I.G.'s trading partners to take a deep discount on what they were owed. But Mr. Geithner said he had no bargaining power because he was unwilling to threaten A.I.G.'s trading partners with a bankruptcy by the insurer for fear of further destabilizing the system.

A recent [report on the A.I.G. bailout] by the [Government Accountability Office] found that taxpayers may never get their money back.

The Debt Guarantee

Over Columbus Day weekend last fall, with the market gripped by fear and banks refusing to lend to one another, a somber group gathered in an ornate conference room across from Mr. Paulson's office at the Treasury.

Mr. Paulson, Mr. Bernanke, Ms. Bair and others listened as Mr. Geithner made his pitch, according to four participants. Mr. Geithner, in the words of one participant, was "hell bent" on a plan to use the Federal Deposit Insurance Corporation to guarantee debt issued by bank holding companies.

It was a variation on Mr. Geithner's once-unthinkable plan to have the government guarantee all bank debt.

The idea of putting the government behind debt issued by banking and investment companies was a momentous shift, an assistant Treasury secretary, David G. Nason, argued. Mr. Geithner wanted to give the banks the guarantee free, saying in a recent interview that he felt that charging them would be "counterproductive." But Ms. Bair worried that her agency — and ultimately taxpayers — would be left vulnerable in the event of a default.

Mr. Geithner's program was enacted and to date has guaranteed $340 billion in loans to banks. But Ms. Bair prevailed on taking fees for the guarantees, and the government so far has collected $7 billion.

Mr. Geithner has also faced scrutiny over how well taxpayers were served by his handling of another aspect of the bailout: three no-bid contracts the New York Fed awarded to BlackRock, a money management firm, to oversee troubled assets acquired by the bank.

BlackRock was well known to the Fed. Mr. Geithner socialized with Ralph L. Schlosstein, who founded the company and remains a large shareholder, and has dined at his Manhattan home. Peter R. Fisher, who was a senior official at the New York Fed until 2001, is a managing director at BlackRock.

Mr. Schlosstein said that while he and Mr. Geithner spoke frequently, BlackRock's work for the Fed never came up.

"Conversations with Tim were appropriately a one-way street. He'd call you and pepper you with a bunch of questions and say thank you very much and hang up," he said. "My experience with Tim is that he makes those kinds of decisions 100 percent based on capability and zero about relationships."

For months, New York Fed officials declined to make public details of the contract, which has become a flash point with some lawmakers who say the Fed's handling of the bailout is too secretive. New York Fed officials initially said in interviews that they could not disclose the fees because they had agreed with BlackRock to keep them confidential in exchange for a discount.

The contract terms they subsequently disclosed to The New York Times show that the contract is worth at least $71.3 million over three years. While that rate is largely in keeping with comparable fees for such services, analysts say it is hardly discounted.

Mr. Geithner said he hired BlackRock because he needed its expertise during the Bear Stearns-JPMorgan negotiations. He said most of the other likely candidates had conflicts, and he had little time to shop around. Indeed, the deal was cut so quickly that they worked out the fees only after the firm was hired.

But since then, the New York Fed has given two more no-bid contracts to BlackRock related to the A.I.G. bailout, angering a number of BlackRock's competitors. The fees on those contracts remain confidential.

Rescues Revisited

As Mr. Geithner runs the Treasury and administration officials signal more bailout money may be needed, the specter of bailouts past haunts his efforts.

He recently weathered a firestorm over retention payments to A.I.G. executives made possible in part by language inserted in the administration's stimulus package at the Treasury Department's insistence. And his new efforts to restart the financial industry suggest the same philosophy that guided Mr. Geithner's Fed years.

According to a recent report by the inspector general monitoring the bailout, Neil M. Barofsky, Mr. Geithner's plan to underwrite investors willing to buy the risky mortgage-backed securities still weighing down banks' books is a boon for private equity and hedge funds but exposes taxpayers to "potential unfairness" by shifting the burden to them.

The top echelon of the Treasury Department is a common destination for financiers, and Mr. Geithner has also recruited aides from Wall Street, some from firms that were at the heart of the crisis. For instance, his chief of staff, Mark A. Patterson, is a former lobbyist for Goldman Sachs, and one of his top counselors is Lewis S. Alexander, a former chief economist at Citigroup.

A bill sent recently by the Treasury to Capitol Hill would give the Obama administration extensive new powers to inject money into or seize systemically important firms in danger of failure. It was drafted in large measure by Davis Polk & Wardwell, a law firm that represents many banks and the financial industry's lobbying group. Mr. Geithner also hired Davis Polk to represent the New York Fed during the A.I.G. bailout.

Treasury officials say they inadvertently used a copy of Davis Polk's draft sent to them by the Federal Reserve as a template for their own bill, with the result that the proposed legislation Treasury sent to Capitol Hill bore the law firm's computer footprints. And they point to several significant changes to that draft that "better protect the taxpayer," in the words of Andrew Williams, a Treasury spokesman.

But others say important provisions in the original industry bill remain. Most significant, the bill does not require that any government rescue of a troubled firm be done at the lowest possible cost, as is required by the F.D.I.C. when it takes over a failed bank. Treasury officials said that is because they would use the rescue powers only in rare and extreme cases that might require flexibility. Karen Shaw Petrou, managing director of the Washington research firm Federal Financial Analytics, said it essentially gives Treasury "a blank check."

One year and two administrations into the bailout, Mr. Geithner is perhaps the single person most identified with the enormous checks the government has written. At every turn, he is being second-guessed about the rescues' costs and results. But he remains firm in his belief that failure to act would have been much more costly.

"All financial crises are a fight over how much losses the government ultimately takes on," he said. And every decision "requires we balance how to achieve the most benefits in terms of improving confidence and the flow of credit at the least risk to taxpayers."

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