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Government to buy stakes in banks

OCTOBER 10, 2008

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BANKS: Government to buy stakes

The government is planning to buy stakes in a wide range of banks within weeks, as the credit freeze increasingly threatens to tip the U.S. economy into a deep recession.



[Treasury Secretary Henry Paulson](#)

and top aides are still considering how the purchases would work; one option is for the government to acquire preferred stock, two officials informed about the matter said.

The move would shift the emphasis of Paulson's original intention for the \$700-billion bailout package Congress passed last week.

While the treasury still aims to buy troubled mortgage-backed securities from [financial institutions](#), a direct capital injection would offer more immediate relief by giving banks quick access to funds they could then lend out.

A \$200-billion to \$300-billion figure would probably pay for minority stakes in U.S. banks not on the brink of failure, according to estimates by Duke University finance professor Campbell Harvey in North Carolina.

ECONOMIC SUMMIT: Bush to meet with G7

President George W. Bush will take the unusual step of meeting at the White House on Saturday with Group of Seven finance ministers and the heads of the [International Monetary Fund](#) and the World Bank, spokeswoman Dana Perino said.

Bush's meeting will coincide with the first meeting of the G7 industrial nations



Henry Paulson

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since the financial meltdown accelerated last month. The IMF director and the president of [the World Bank](#) also will attend, Perino said.

The G7 includes the United States, United Kingdom, France, Germany, Italy, Japan and Canada.

PANIC SPEAK: Experts weigh in on crisis

In one year, stock market wealth has declined \$8.3 trillion. What the experts were saying Thursday:

"We aren't dealing with a fundamental economic issue any longer. We are dealing with fear. And that doesn't respond to economic medicine."

James Paulsen, chief investment strategist for Wells Capital Management

"I think right now there are just some very powerful negative images that are alive in many people's minds -- images of the Depression, images of people selling apples."

George Loewenstein, a behavioral economist at Carnegie Mellon University

"We're stuck in a morass, and I think it's going to take quite some time to come out of it."

Stephen Carl, principal and head of equity trading at the Williams Capital Group

"It's not just psychology. There are some things happening in the world that are pretty scary. We have every right to be scared."

Meir Statman, Santa Clara University finance professor

"Everything we're seeing is historic. The problem is historic, the solutions are historic, and unfortunately, the sell-off is historic. It's not the kind of history you want to be making."

Arthur Hogan, chief market analyst at Jefferies & Co.

"We've been so traumatized over the past few weeks that every little thing that happens, we overreact."

Michal Ann Strahilevitz, a marketing professor at Golden Gate University in San Francisco

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COMPLETE COVERAGE

An economy on the edge

GM, FORD STOCK PRICES SINK TO RECORD LOW TERRAIN

General Motors Corp. and Ford Motor Co. stocks plunged even deeper into record territory Thursday as a ban on short-selling of the stocks ended, Standard & Poor's said it may cut their debt ratings further into junk and anxiety about the global economy swelled.

Shares of GM fell \$2.15, or 31.1%, closing at \$4.76, a level not seen since an adjusted close of \$4.74 on April 1, 1950, according to the Center for Research in Security Prices at the University of Chicago.

Ford stock fell 58 cents, or 21.8%, closing at \$2.08, its lowest price since an adjusted close of \$2.06 on April 11, 1984.

Both companies registered 52-week highs on Oct. 12, 2007, when GM closed at \$42.64 and Ford closed at \$9.20.

When GM's stock last was worth so little, in 1950, the U.S. stock market had not yet returned to the prices seen prior to the Great Depression.

Katie Merx

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aaragon wrote:

There is only one answer to this newest instance of common sense meltdown in government. Lobbyists sold a prepackaged answer to Washington for the 'crisis' phenomenon; Bush came on TV to fan the flames of panic. The media then jumped into the fray and told us that we are confused and unintelligent, proceeding to use metaphors and cartoons to propagandize the Bailout. Washington, and their