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On the Brink

Treasury's Waffling Rattles Confidence

11/12/08 - 05:26 PM EST

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>> Lauren Tara LaCapra

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The Treasury Department is hoping that the third time's the charm in developing its plan to stabilize the financial markets. But the haphazard manner in which the program has been structured has left some wondering whether the folks in charge are equipped to handle the crisis.

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czars know what they're doing."

A brief recap of the Troubled Asset Relief Program's demise: First, Treasury Secretary Henry Paulson suggested buying \$700 billion worth of banks' troubled assets. His proposal to Congress was briefly sketched out on three sheets of paper, with few strings attached.

Perhaps unsurprisingly, lawmakers overhauled the plan in divisive sessions. The final draft included a stipulation allowing the government to obtain preferred stock in exchange for cash -- a measure that Paulson adamantly objected to, at first. But once Britain decided to inject capital into its financial system, the U.S. soon followed suit, while hatching a plan to purchase banks' troubled assets with remaining funds.

Less attention was given to asset purchases, as capital injections seemed to be a faster and more efficient way to help banks, protect taxpayers and spur lending. On Wednesday, Paulson officially scrapped the idea of buying [troubled assets](#) through TARP.

While the **Dow Jones Industrial Average** plunged more than 400 points after the decision Wednesday, experts say capital injections are a better method to repair the battered financial system. Some emphasize that it should have been the method from the start, and that the disorganized and indecisive manner in which the government proceeded has only fueled uncertainty.

"It does erode confidence," says Dan Seiver, a finance professor at San Diego State University. "I'm beginning to ask questions myself, as to whether our economic

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