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## Treasury's Waffling Rattles Confidence

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FNM, AIG, AXP, MS (Cramer's Pick), GS, GM, F

>> Lauren Tara LaCapra



Alan Madian, a director with expertise in financial regulation at the consulting firm LECG, says scrapping TARP was "probably the smartest thing they ever did," but acknowledges that the back-and-forth about the government's strategy has fueled the "huge amount of uncertainty" in the market.

"The initial plan didn't make a lot of sense in terms of dealing with the problem that they had," says Madian. "It took them a little bit of time figuring out that it didn't make much sense, and they had some help from the Europeans."

Paulson explained the drastic change in strategy during a press conference on Wednesday by asserting that regulators were responding to changing circumstances. "I will never apologize for changing a strategy or an approach when the facts change," said Paulson. He added that an apology should "go the other way," for not responding to changing facts.

Steve Stanek, a research fellow at the Heartland Institute, said Paulson's assertion that the facts have changed "is a tacit admission that he did not know what would come next, and I'll bet he still does not know what will come next."

Indeed, while government initiatives to bail out or push acquisitions of financial powerhouses like **Bear Stearns**, **Fannie Mae** (FNM Quote - Cramer on FNM - Stock Picks), **Freddie Mac** (FRE Quote - Cramer on FRE - Stock Picks), **Washington Mutual**, **Wachovia** (WB Quote - Cramer on WB - Stock Picks) and **AIG** (AIG Quote - Cramer on AIG - Stock Picks) have saved the system from utter collapse, it is unclear how much additional support the sector will need, and what the ultimate cost to taxpayers will be.

The upfront cost of AIG's rescue alone has inflated to \$150 billion from an initial \$85 billion, and terms of the rescue have changed. **American Express** (AXP Quote - Cramer on AXP - Stock Picks), **Morgan Stanley** (MS Quote - Cramer on MS - Stock Picks) and **Goldman Sachs** (GS Quote - Cramer on GS - Stock Picks) have won federal approval to change into bank holding companies to tap into government funds. Then there is talk of adding **General Electric** (GE Quote - Cramer on GE - Stock Picks), or the Detroit automakers **GM** (GM Quote - Cramer on GM - Stock Picks), **Ford** (F Quote - Cramer on F - Stock Picks) and **Chrysler**, to the plan as they burn through cash and warn of impending disaster.

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