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**Paulson: Banks will repay**

**By: Steve Jordon**

The world's financial system came close to "Armageddon" in September 2008, but the crisis was turned back by the U.S. government's intervention and emergency action, former Treasury Secretary Henry Paulson said in Omaha today.

Paulson, interviewed by Berkshire Hathaway CEO Warren Buffett, said then-President George W. Bush understood the potential crisis and gave his support to the government bailout. So did the two senators running for president, Barack Obama and John McCain, Paulson said.

Paulson predicted the U.S. government will regain every penny given to the nation's banks during the economic meltdown and may even profit.

Buffett agreed with Paulson that the bank bailout will eventually be profitable for the nation.

If Congress hadn't quickly approved the bailout package for the nation's major financial service providers, Paulson said, unemployment likely would have hit 25 percent in the United States. Other nations also would have suffered severe economic downturns, he added.

Paulson and Buffett discussed Paulson's new book, "On the Brink," which describes what happened during the months of economic crisis and government response.

They spoke to about 2,400 people at the Greater Omaha Chamber of Commerce's annual meeting. The size of the crowd prompted the chamber to move the meeting from the second-floor ballroom of the Qwest Center Omaha to the larger first-floor exhibition hall.

Paulson and Buffett have been longtime friends, dating to Paulson's position as CEO of Goldman Sachs, the New York City-based investment bank.

Berkshire Hathaway Inc., the investment company that Buffett heads, invested \$5 billion in Goldman Sachs in the fall of 2008, at the time a sign of his confidence in Goldman and the nation's financial system that helped calm fears of a financial breakdown.

In the book, Paulson gave Buffett credit for proposing a two-tiered dividend rate that financial companies would pay to the government for money to shore up their capital. The lower rate would encourage the banks to take the money, while the later, higher rate would encourage them to pay it back in a few years. Congress eventually approved the plan with the two-tiered dividend structure, and the government's willingness to provide hundreds of billions to support the financial companies helped avert the financial crisis.

Attendance at the meeting set a record for the chamber's annual meeting, passing the 2004 talk by then-Federal Reserve Chairman Alan Greenspan, which was attended by about 2,200 people. In 2007 about 2,000 attended the meeting to hear Fed Chairman Ben Bernanke.