

Journal of Economic Perspectives

Spring 2015

An Assessment of TARP Assistance to Financial Institutions

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Summary

How should economists and policymakers evaluate the assistance provided to financial institutions during the recent financial crisis, and in particular the assistance provided through the 2008 Troubled Asset Relief Program, commonly known as TARP? We examine that question in five parts: 1) What did policymakers do? 2) What are the proper objectives of interventions like TARP assistance to financial institutions? 3) Did TARP succeed in those economic objectives? 4) Were TARP funds allocated purely on an economic basis, or did political favoritism play a role? 5) Would alternative policies, either alongside or instead of TARP, and alternative design features of TARP, have worked better?

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Recommended Citation

Calomiris, Charles W. and Khan, Urooj . "An Assessment of TARP Assistance to Financial Institutions." *Journal of Economic Perspectives*, Spring 2015.
<https://www.aeaweb.org/articles?id=10.1257/jep.29.2.53>.