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THE WALL STREET JOURNAL.

Germany shifts on Greek aid

Germany signaled it was open to supporting a joint bailout of Greece by European governments and the International Monetary Fund should the country need assistance, as Greece called on Europe for concrete help by next week.

By Marcus Walker in Berlin and Charles Forelle in Brussels

Chancellor Angela Merkel is "open to a financial participation by the IMF" in any aid package for Greece, a senior German official said, while stressing that no final decision has been made. The official added that Greece hasn't asked for a rescue and that Germany still wants Greece to solve its debt crisis alone through budget cuts.

The German finance ministry had raised objections to an IMF program for Greece as recently as last week.

Germany's shifting stance sets the stage for a potential confrontation with other European countries at a summit meeting in Brussels next week. The comments come amid an increasingly contentious debate between Germany and its EU partners over how and when any rescue of Greece should occur. France and other members of the 16-nation euro zone have vociferously opposed a financial role for the IMF in Greece.

Greek Prime Minister George Papandreou said in Brussels on Thursday that he wants guarantees of financial support to come out of the summit, which is set for next Thursday and Friday. But European officials say privately that a decision on Greek aid may not be reached at next week's EU summit, despite Greek pressure.

The Greek leader said he might turn to the IMF for help if Europe isn't more forthcoming. Euro-zone countries have so far made vague pledges to help Greece if it can't borrow enough funds from bond markets.

Mr. Papandreou's comments are the closest yet to a Greek demand for earlier action, and show Athens' growing anger at Europe's reluctance to offer more than verbal support. It may be difficult for Greece to secure IMF funds without the endorsement of major European governments who sit on the IMF's board and would rule on aid.

Ms. Merkel has long believed that any European aid for Greece would be easier to sell to German voters and lawmakers if it were part of an IMF-led package, according to people familiar with her thinking. However, the chancellor isn't pushing an IMF-only solution, these people say.

Until now, she has deferred to the majority of European leaders who oppose an IMF role that goes beyond technical advice. French President Nicolas Sarkozy, European Central Bank President Jean-Claude Trichet and oth-

Please turn to page 8

Reuters

A taxi driver protests in front of police outside the parliament in Athens on Thursday. Taxi drivers and gas station owners walked off the job to protest new tax laws.

Greenspan concedes missteps

By Jon Hilsenrath

WASHINGTON—In a detailed review of the causes of the financial crisis, former Federal Reserve Chairman Alan Greenspan acknowledged a range of regulatory failures but strongly disputed the view that the Fed left interest rates too low for too long.

"We had been lulled into a sense of complacency by the modestly negative economic aftermaths of the stock market crash of 1987 and the dot-com boom," Mr. Greenspan said in a paper, "The Crisis," that he will present at a Brookings Institution conference Friday. "Given history, we believed that any declines in home prices would be gradual. Destabilizing debt problems were not perceived to arise under those conditions."

Mr. Greenspan's reputation has been tarnished by the crisis. Widely hailed when he left office in January 2006 as one of the greatest central bankers, he is now blamed by many for advocating deregulation and low interest rates during the 1990s and 2000s.

Current Fed Chairman Ben Bernanke has said that failed supervision was a key ingredient in the crisis. In response he has beefed up the Fed's oversight of the nation's biggest banks and become more aggressive about enforcing consumer-protection rules. But like Mr. Greenspan, he has argued against the idea that low rates fueled the boom.

In Mr. Greenspan's 48-page review of the causes and consequences of the crisis, the text of which was released by Brookings, he acknowledged that the regulatory system failed. But he offered a full-throated defense of the interest-rate policies he championed.

The Quirk

Who will give a mortgage on a house made of tires and beer cans? Page 29

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The case for replacing the dollar. Page 15

Teva wins auction to buy Ratiopharm

By Eyk Henning and Thomas Gryta

FRANKFURT—**Teva Pharmaceutical** Industries Ltd. emerged Thursday as the winner of an auction to acquire Germany's **Ratiopharm Group** International for about $5 billion, catapulting the Israeli company to the top of the European generic-drug market.

Teva is already the dominant player in generics in North America, its strongest business, but has lagged in the huge European market.

Teva beat out Iceland's **Actavis** Group and U.S. pharmaceuticals giant **Pfizer** Inc. in buying Ratiopharm, which is being sold by the family of late German billionaire Adolf Merckle, who died in an apparent suicide last year as financial woes mounted in his business empire.

Shlomo Yanai, Teva's chief executive, said, "This transaction is perfectly aligned with our long-term strategy in

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PAGE TWO

Opportunities to make business better

[Agenda]

By David Jones

Optimism hasn't been a word used much over the past two years in business, but I'm optimistic about global business this year, and I'm optimistic about the prospects for the global advertising and marketing industry in 2010.

This isn't just because the world economy is stabilizing and many economies are actually starting to grow, or because of the digitization of my industry that has totally reinvigorated it. It's actually because of two very exciting revolutions taking place in the world right now that are having an impact that will make every business better.

The first of these is the Social Media revolution. The ability of millions of individual people to communicate rapidly, publicly and across global networks of the like-minded is a watershed in terms of everything we've ever understood about media, about news, about marketing. Word-of-mouth isn't new, but its power, immediacy and scale thanks to social media is creating what I believe will be a bigger transformation for business than the arrival of television. And whether the Twitters, Facebooks and YouTubes of the world are still with us in a decade, what is certain is that the digital sociability they enable will be.

Last year, for our client Evian, we created what has become—according to the Guinness Book of Records—the most downloaded piece of commercial content in history. We created and then seeded the Evian Rollerbabies film through social-media platforms. It became a global phenomenon with over 94 million downloads. It delivered a far greater return against a much smaller investment than any previous marketing campaign, and in a wonderful proof of social media's power, it was named by Time magazine as its favorite TV commercial of 2009, despite at the time not having run as a TV commercial.

Associated Press

Desmond Tutu, right, and Bob Geldof at the One Young World World Summit

We had a similar result using social media with the open-source "tck tck tck" campaign for climate justice, inspired by Kofi Annan; without a single dollar in paid media, we signed up over 15 million climate allies globally.

But Social Media doesn't just impact consumer businesses and the media, it impacts employees and shareholders, too.

Today, only 17% of U.S. businesses actually have a social-media policy for employees: What are your employees writing about you as you read this, and are you happy about it?

> We in the creative industries should turn our hand to affecting changes in behavior for the better

While potentially a worry for an individual business, it's a great thing for business in general. The three most important words for a business wanting to be successful in the social-media world are transparency, authenticity and speed. And businesses that are transparent, authentic and fast will be better on every level.

The second revolution that is making business better is the revolution in Corporate Social Responsibility. CSR was one of the fastest growing trends in world business before the economic crisis, and given the lessons learned there about the pursuit of profit for profit's sake, its trajectory will now accelerate.

This will be the age of Corporate Social Responsibility. Consumers, customers, employees and now shareholders expect business to be more responsible. The people with whom you wish to do business, to whom you wish to sell, now have the information about you and the means to test you: They have been digitally empowered to punish those businesses that don't live up to their standards. Real CSR is hard work and affects every single aspect of a company—from how employees are treated to action on local and global environment to sharing and caring with local and global communities. It's not a case of simply giving generously or acting correctly in isolation: An entire business cannot simply be "nicewashed." CSR must be at the core of business strategy.

As we advise our clients of the need for business to be more socially responsible, we also wanted to ensure we were taking our own medicine. I have always believed, and said publicly many times, that we in the creative industries can and should turn our hand to affecting changes in behavior for the better.

To that end we've founded One Young World as a global platform for the young people who will be the leaders of governments and businesses tomorrow; like a "Davos," but for the leaders who have yet to come. At the inaugural One Young World Summit in London last month, we had 1,000 young leaders from 110 countries, being "counseled" by world leaders like Mr. Annan, Muhammad Yunus, Desmond Tutu and Bob Geldof.

The brilliance of the delegates was humbling to all of us, and their expectation of Global Business was loud and unequivocal. One Young World Resolution 2010.3 reads: "In the belief that multinational corporations have a fundamental responsibility to behave ethically, we call upon global businesses to define and act on their role in the fight against poverty and climate change." This Resolution was passed by 81% of the Delegates and supported by 98% of the thousands who were following the Summit online.

These young people are the future consumers and future leaders of the world. They have the means in the Digital Age to judge us in the business community and to make that judgment effective by giving or withholding their custom.

With the revolutions in Social Media and CSR, we have a unique opportunity to make business better. But I personally believe that far from being separate subjects, they are in fact totally interlinked. In the coming decade, businesses that are the most socially responsible will be the most successful and will reap huge benefits from the power of social media, as employees, shareholders and consumers become passionate advocates for their brands and businesses.

To end on another optimistic note: What's reassuring is that even if we fail to capitalize on this exciting challenge, from what I saw at One Young World the next generation won't.

—David Jones is global chief executive officer for Havas Worldwide and co-founder of One Young World.

What's News

■ **Former Yukos managers** seeking a payment from Rosneft have won injunctions in U.S. and British courts, a sign the bankrupt oil company's legal battle against the Russian state isn't over. **19**

■ **Putin said Russia** would commission Iran's first nuclear power plant this summer. The announcement came during U.S. Secretary of State Clinton's visit to Moscow. **8**

■ **U.S. car sales surged** in the first half of March, indicating the industry continues to rebound. **21**

■ **The euro zone posted** a large trade deficit in January, as exports fell more sharply than imports. British politicians wrangled about new figures that showed a portion of the deficit widening to a record level last month. **6**

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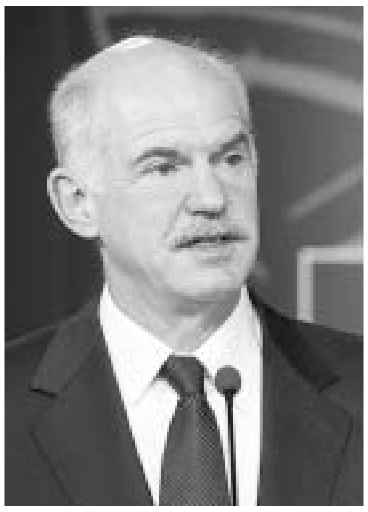

Follow the latest updates as Greece seeks financial support from the EU at **wsj.com/greekdebt**

Question of the day

Vote and discuss: Who will end up leading Greece's financial rescue?

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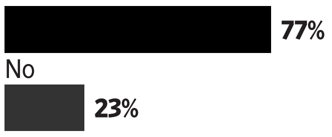
Q: Do you think countries that threaten the euro zone's stability should be expelled from the bloc?



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NEWS

Apple races to get iPad deals

Electronics maker still negotiating with TV, media companies ahead of April 3 release

By Yukari Iwatani Kane
And Sam Schechner

European Pressphoto Agency

Apple has sold hundreds of thousands of iPads on order, but may be tempering its initial ambitions for the device.

Apple Inc. is still trying to secure media content for the iPad with just weeks to go before the tablet computer's release, said people familiar with the matter, as the company tempers some of its initial ambitions for the much-hyped device.

Since the iPad became available for pre-order last Friday, Apple has sold hundreds of thousands of the device, say people familiar with the matter. One of these people said Apple could sell more iPads in its first three months than it sold iPhones in the three months after the smart phone's debut.

Yet Apple is still negotiating with media companies for a price cut on TV shows that people can download onto the device, said people familiar with the matter. Apple also hoped to work closely with newspaper, magazines and textbook publishers on new ways to digitally present print content on the iPad, but has for now put the effort on the back burner in favor of other content, said one of those people.

Apple is racing to complete some of these discussions before the iPad is scheduled to ship on April 3, said people familiar with the matter. But nailing down the content has proven difficult as some potential collaborators weigh the advantages of working with Apple against the potential threats to their current sources of revenue, these people add.

An Apple spokeswoman declined to comment.

The last-minute discussions show the complexities that Apple and Chief Executive Steve Jobs are facing in creating an Internet-connected multimedia device, which has pushed the company to pare back some of its initial intentions for the iPad's release.

When Apple unveiled the tablet in January, Mr. Jobs touted it as a "magical and revolutionary" product that would let people play games, watch video, and read books and newspapers.

Apple has narrowed the device's scope. Apple has put on hold its idea to offer TV subscriptions that would be viewable through the iPad. Instead, Apple is discussing with media companies a price cut on TV shows to 99 cents from $1.99 and $2.99 on its iTunes store, said people familiar with the situation.

But these people said Apple hasn't yet reached a deal with many major TV producers on the price cut. Some are concerned a price cut could hurt their existing businesses, these people said, including jeopardizing the tens of billions of dollars in subscription fees they are paid by cable and satellite companies for their traditional TV networks.

People familiar with the matter have said Apple is trying to allay concerns by arguing that lower pricing on iTunes could help create a new market. These people said they still believe Apple may reach deals with some to offer 99-cent shows by the time the iPad ships.

It's also possible TV companies could offer access to their shows on the iPad through applications that would stream the videos, rather than selling them through iTunes. Such apps could potentially show advertisements with the TV shows.

At the same time, some magazine and newspaper publishers said they are hamstrung by several factors that could delay the apps they are developing for the iPad from being ready by the time of the device's release.

Some publishers are concerned the iPad doesn't support **Adobe Systems** Inc.'s Flash video technology, which publishers use to showcase their multimedia content and is also an underlying technology of online ads.

One area where things appear on schedule is Apple's new virtual bookstore iBooks, which lets iPad owners purchase and read digital books. People familiar with the matter said the largest publishers are on track to deliver most of their titles and it should have almost all of the books as existing e-readers like **Amazon.com** Inc.'s Kindle.

—Jeffrey A. Trachtenberg, Russell Adams, Shira Ovide contributed to this article.

Turnaround ace Jerome York dies

By Stephen Miller

After forging a reputation as a turnaround expert at **Chrysler** Corp. and **International Business Machines** Corp., Jerome York turned around and led billionaire investor Kirk Kerkorian's takeover attempts at Chrysler and **General Motors** Corp.

Mr. York's death was announced Thursday by **Apple** Inc., on whose board he had served from 1997 until earlier this month. He had been rushed to Pontiac Osteopathic Hospital in Pontiac, Mich., Tuesday night after being stricken with a burst brain aneurysm, a person familiar with the matter said. Mr. York was 71 years old.

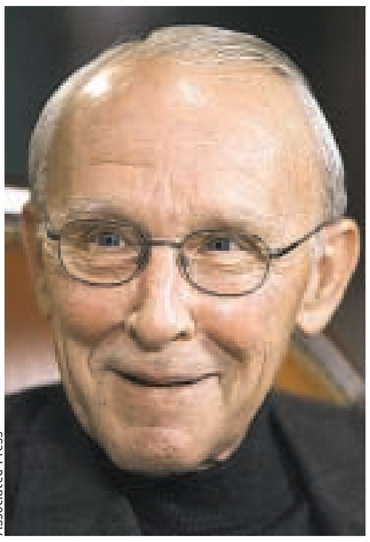
In recent years, Mr. York was most visible as Mr. Kerkorian's designate on the GM board, urging a speedy overhaul in "crisis mode," as he told The Wall Street Journal in early 2006, or "the unthinkable could happen."

But GM spurned its suitor, rejecting Mr. York's calls to streamline production and shutter a vehicle brand. After a proposed alliance with **Renault** SA and **Nissan Motor** Co. collapsed, Mr. Kerkorian's **Tracinda** Corp. abandoned its aggressive investment strategy in GM. In a farewell message to the board in October 2006, Mr. York said he had "grave reservations" about the company's business model. In June 2009, the unthinkable happened, and giant GM declared bankruptcy.

The 2006 boardroom dust-up was the culmination of Mr. York's second go-round as a close adviser in Mr. Kerkorian's quest for an auto maker. In the mid-1990s, the two had gone after Mr. York's former employer, Chrysler. That deal fell through too, but not before Mr. Kerkorian walked away with about $3 billion of profit.

Mr. Kerkorian, via a spokesman, called Mr. York "a unique individual with boundless courage, charisma and intellect, and a deep appreciation of the automotive industry."

A native of Memphis, Tenn., Mr. York was the son of an Army colonel. He graduated from the U.S. Military Academy at West Point, but his military career was derailed by a gymnastics injury. After receiving an engineering degree at the Massachusetts Institute of Technology, he took a job at GM, where he received patents for carburetor designs while



Associated Press

Mr. York in Detroit in January 2006

working toward his M.B.A. by night.

Ambitious and hard-working, Mr. York switched to operations and finance. He was hired away by **Ford Motor** Co. and moved to Chrysler in 1979, just in time for the most serious crisis in that company's history.

"The dullest thing in the world to do is to get out of bed in the morning and go to work where there are no significant problems to deal with," Mr. York told Automotive News in 1992.

In 1982, he was named managing director of Chrysler de Mexico S.A.. Mr. York was named Chrysler's chief financial officer in 1990.

Mr. York surprised Wall Street in 1995 by jumping to Tracinda, and the ultimately unsuccessful takeover attempt of Chrysler was on.

In 1999, he led a $725 million takeover of computer-products direct marketer **Micro Warehouse** Inc., serving as CEO of the Norwalk, Conn., company. He also took a place on the board of **Tyco International** Ltd. after its top managers were hit with fraud charges in 2002. He led the Tyco board's audit committee until he stepped down from the board earlier this month.

Robert S. "Steve" Miller, a veteran turnaround specialist and former vice-chairman of Chrysler, said in an interview Wednesday that Mr. York served iconic companies and "in each case, he has made a major contribution toward restoring those companies to being the best they can be."

—Jeff Bennett and Neal Boudette contributed to this article.

Israel's Teva wins auction to acquire Ratiopharm

Continued from first page

which Europe is an important pillar and growth driver."

The deal, Teva's biggest since buying U.S.-based Barr Pharmaceuticals Inc. for $7.46 billion in 2008, is expected to close by year-end.

Teva expects the deal to add immediately to adjusted earnings per share and boost its bottom-line earnings within three quarters.

The company projected synergies of at least $400 million, which it expects to realize over three years.

In 4 p.m. composite trading Thursday in New York, shares of Teva rose 3.5% to $62.01.

Pfizer's interest in Ratiopharm had been widely known, but the bidding may have gone beyond its price range, according to people familiar with the matter. J.P. Morgan analyst Chris Schott said it was positive to see Pfizer "exercise financial discipline," as it would be harder for the company to get the same financial benefits from such a deal, when compared to Teva.

Nonetheless, Pfizer continues to be interested in expanding its generic operations and could make a deal for another regional company, including German pharmaceutical company **Stada Arzneimittel** AG, sources said.

A Pfizer spokeswoman declined to comment on the Stada speculation but said the company would continue to explore options to further its growth strategy with a focus on "making disciplined financial decisions."

Mr. Yanai denied that Teva may have paid too much for Ratiopharm, saying it was the "right price." J.P. Morgan's Mr. Schott noted that the deal's multiple, roughly 2.2 to 2.3 times sales, is below the historic level of 3 to 4 times sales in generic deals. That price likely reflects the challenges of the German generic market, Mr. Schott said.

After the deal, Teva would be the second-largest firm in the German market, Mr. Yanai said, and the largest in 10 other European countries.

"This is the reason that we were so interested in acquiring Ratiopharm," he said.

The company aims to raise its sales in Europe to $9.2 billion in 2015, from around $3.3 billion in 2009.

Including Ratiopharm on a pro-forma basis, Teva reached $5.2 billion in sales in Europe in 2009 and $16.2 billion world-wide.

Teva's Chief Financial Officer Eyal Desheh said the company would use $3 billion from its cash reserves and $2 billion from credit lines to pay for the deal. The company's financial leverage will return to pre-deal levels in only two or three quarters because of "continued strong cash flow," he said.

Mr. Yanai said there might be a "small amount of divestment" needed in order to satisfy U.S. antitrust concerns and that it would talk with the U.S. Federal Trade Commission about the deal.

Major job reductions aren't expected under Teva. At locations of companies recently acquired by Teva, like in Spain, Hungary and Czech Republic, some capacity was even expanded.

European Pressphoto Agency

Leaders of France's opposition Communist, Socialist and Green parties meet Thursday in Paris ahead of Sunday's vote.

Sarkozy's rating falls

French president's party appears set for a defeat in Sunday vote

By David Gauthier-Villars

PARIS—French President Nicolas Sarkozy is facing the lowest approval ratings since his election in 2007, and could suffer another setback Sunday if his ruling party is crushed in the second round of regional balloting.

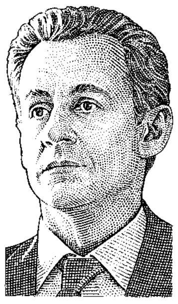
Opinion polls suggest Mr. Sarkozy's ruling party, the Union pour un Mouvement Populaire, will fail to conquer any of the 24 French regions led by left-wing coalitions and could even lose the two regions it controls, Corsica and Alsace.

Behind the UMP's expected poor showing is a drop in support for Mr. Sarkozy, pollsters say. For example, many doctors working in the private sector—traditional UMP supporters—say Mr. Sarkozy hasn't delivered on his pledge to energize France's economy by shrinking its large public sector. Some private-sector doctors say they were irked that the government "ignored" them last year when it drew up plans to spend about €1 billion ($1.4 billion) in taxpayer money for measures against the swine flu.

Pierre-Yves Lussault, a general practitioner in Provence, said he voted for Mr. Sarkozy in 2007 but cast his ballot for a green movement in the first round of the regional elections. "I had enough," he said.

Blue-collar workers and employees, who were drawn by Mr. Sarkozy's "work more to earn more" campaign slogan and promise to cut the unemployment rate to 5%, are upset by factory closures and job cuts. Unemployment now exceeds 10% in France.

"The honeymoon is over," said Yvette Macri, who runs a newsstand in Nice.



Nicolas Sarkozy

This growing divide between Mr. Sarkozy and the French public comes at a delicate moment: France has a widening budget gap and the president may have to resort to austerity measures, especially if investor wariness spreads from Greece to other euro zone members. Greece has been struggling to refinance its public debt because investors are demanding high interest rates.

Mr. Sarkozy has said the regional vote would have only "regional consequences" and that it wouldn't deter him from tackling an overhaul of the French government-run pension system. In France, where employees help pay for the pensions of retirees, the system is deeply in debt amid rising unemployment and an aging population. The state pension agency recorded an €11 billion deficit last year. Among the proposed solutions: asking French people to work longer before they can claim a full pension.

Mr. Sarkozy has also said he would announce in April—after the regional balloting—a number of measures aimed at reducing the budget deficit, which could exceed 8% of gross domestic product this year.

Economists are skeptical that Mr. Sarkozy would have the political will to push through tough changes two years ahead of the 2012 presidential elections. "Mr. Sarkozy didn't do it when he was high in the polls," said Marc Touati, an economist with French financial-services company Global Equities. "How will he do it now?"

The president's approval rating fell to 36% in March from 40% in February, according to a survey conducted March 13 by French polling company Ifop.

Armenia condemns Turkish threat

By Marc Champion

ISTANBUL—Armenia on Wednesday condemned a threat by Turkish Prime Minister Recep Tayyip Erdogan to expel Armenians without papers from his country, as tensions between the two neighbors rise over a bloody history and wavering efforts to reopen their border.

Mr. Erdogan told the BBC's Turkish-language service late Tuesday that of some 170,000 ethnic Armenians working in Turkey, only 70,000 were Turkish citizens.

"We are turning a blind eye to the remaining 100,000," he said. "Tomorrow, I may tell these 100,000 to go back to their country, if it becomes necessary, because they are not my citizens."

Allowing the Armenians to work in Turkey without papers was a "display of our peaceful approach, but we have to get something in return," Mr. Erdogan said.

The statement comes as Turkey is seeking to dissuade the U.S. Congress from recognizing as genocide the slaughter of as many as 1.5 million Armenians in the dying days of the Ottoman Empire.

It also comes as Armenia has been threatening to pull out of a deal that would reopen its border with Turkey and set up a joint commission to examine the 1915 massacres, among other issues.

"These kinds of political statements do not help to improve relations between our two states," Armenia Prime Minister Tigran Sargsyan told the county's parliament Wednesday, according to agency reports.

"When the Turkish prime minister allows himself to make such statements it immediately for us brings up memories of the events of 1915."

This is not the first time that Mr. Erdogan and other Turkish officials have hinted they could take action against the thousands of Armenians who do mostly menial labor in Turkey without work visas.

Officials from the prime minister's ruling Justice and Development party were quick to say Wednesday that no expulsion is imminent.

Transparency isn't always a good thing, Barnier says

[Brussels Beat]

By Stephen Fidler

Michel Barnier, the new European Commissioner responsible for financial market regulation, said something in a recent speech that is quite remarkable for its honesty.

The statement, said Andrew Hilton of the Centre for the Study of Financial Innovation in London, was "astonishing but only because somebody should be so blatant."

What did Mr. Barnier say? His speech revealed that the commissioner, who regularly emphasizes the need for transparency in financial markets, doesn't think that transparency is always a virtue. Transparency in company accounts, he suggested, can be bad.

Referring to coordination efforts among the Group of 20 leading economies, he said governments had agreed on "the shared commitment to ... ensure convergence of accounting standards at an international level."

"To this end, we need to find the right balance between a faithful representation of a company's financial situation and wider financial stability," he added.

Mr. Barnier's suggestion is that it could be justifiable to misrepresent a company's financial position in the interests of a greater good: financial stability.

It isn't clear whether Mr. Barnier means that accounts should be sufficiently opaque all the time in case, in times of financial crisis, more truthful accounting would spook the markets.

Or whether that accounts should misrepresent a company's situation only sometimes, when being truthful would have consequences for the financial system. This latter would then raise questions about who would decide when these occasions were, and what would be the criteria used.

Mr. Barnier is bringing into the open an almost philosophical split over what accounts are for, an issue that divides the Anglo-American financial world from the continental European one, as this column has remarked before.

"There is a division between the British, who see accountancy as something neutral, and the continental Europeans who regard it as an aspect of broader economic policy," said Mr. Hilton. The statement of Mr. Barnier, who hails from the Rhône-Alpes region of southeastern France, suggests he is firmly in the latter camp.

Differing accounting treatments matter. Andy Haldane of the Bank of England said this month that U.K. bank assets in 2008 would have been £2 trillion, or around 30%, larger under European accounting standards than under U.S. ones. Differing standards make international comparisons difficult, which in turn "hinders investors' risk assessments and regulators' supervisory assessments."

The philosophical divide is at its widest over the question of how financial instruments should be valued, something Mr. Haldane pointed out could have been a life-or-death matter for some financial institutions during the recent crisis.

At its heart is the extent to which accounts for financial institutions should use the "fair value" of financial assets, valuations derived from market prices. In broad terms, the Anglo-Americans like fair value and the continental Europeans, or at least their governments, don't.

Even some Anglo-Americans think you can have too much of a good thing.

In his speech, Mr. Haldane argued that "now would be an unfortunate time to starve balance sheets of the sunlight provided by fair values. Blocking out the sun or, worse still, claiming it revolves around the earth will not serve banks or regulators well in the longer run."

But he added: "At the same time, it needs to be recognized that too much sunlight can scorch. That means applying appropriate filters to fair values, screening out their harmful rays."

One such filter, he said, could be for accounts to better capture "expected losses," meaning banks wouldn't have to wait until after loans had gone bad before they started to make provisions for them. The idea worries some investor groups because it suggests companies would be able to "smooth" profits to make them look better.

In a speech this week, the chairman of the International Accounting Standards Board, the body trying to bring the world's differing accounting regimes together, tried to square the circle between the different requirements of regulators and supervisors, on the one hand, and investors on the other.

Sir David Tweedie proposed threading this needle by suggesting accounts should provide regulators with additional information to meet prudential objectives "without compromising transparency." That appreciates that regulators might want different information from investors, but doesn't keep investors in the dark.

Sir David's emphasis on transparency is one of the reasons he is often criticized by French officials, who regard him as leaning too far to the Americans in his approach. His spokesman declined to respond to the issues raised in this column.

Chantal Hughes, Mr. Barnier's spokeswoman, said his statement was "not about hiding the value of something, it's about having a fair representation of the position of a company." For some banks, following market valuations too closely for loans being held to maturity would unnecessarily increase uncertainty.

Ms. Hughes said Mr. Barnier also wanted to ensure that accounting rules didn't amplify financial cycles.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EUROPE NEWS

British politicians spar over data

Business secretary says strong upturn must precede deficit cuts; Conservatives would trim spending immediately

By Joe Parkinson

LONDON—British politicians wrangled about new figures that showed a portion of the deficit widening to a record level last month, as a national election that must be held by June 3 edged closer.

U.K. Business Secretary Peter Mandelson said the government would focus on "winning back the confidence of those people who are going to finance our debt for some time."

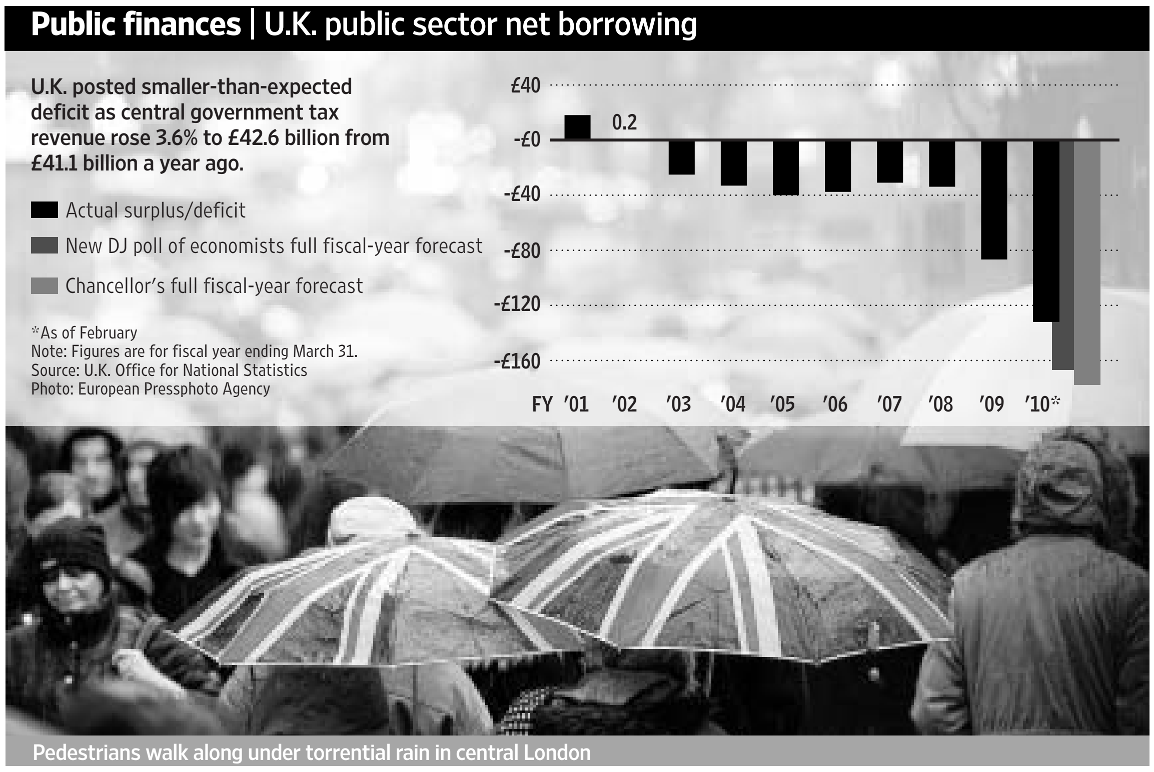
But he said the government wouldn't rein in the deficit until the economic recovery was assured.

Opposition spokesman Ken Clarke said a Conservative Party administration would start spending cuts "straight away" because the U.K. debt position was "teetering near the Greek situation."

The Office for National Statistics said U.K. public-sector net borrowing was £12.4 billion ($19 billion) in February, a record for that month but significantly less than the £13.3 billion expected by economists. The figure stood at £8.8 billion in February 2009.

The U.K. Treasury said the February numbers mean the government is on track to hit its full-year borrowing forecast of £178 billion. "With one month of the financial year remaining, today's figures are broadly in line with our pre-budget report forecasts," a Treasury spokesman said.

He added that the numbers "continue to show strong growth in government spending, reflecting our continued support for the economy."



Pedestrians walk along under torrential rain in central London

Government tax revenue rose at the fastest pace since April 2008, climbing 3.6% to £42.6 billion from £41.1 billion a year earlier. Receipts from value-added tax were up 29.9% from February 2009, reflecting the rise in VAT to 17.5% from 15% in January.

Despite February's moderation, public finances remain in a parlous state. Central government current spending rose 15% from a year earlier, the largest increase since April 2006.

Prime Minister Gordon Brown confirmed last week that the budget will take place on March 24 and indicated that his government wouldn't adjust its four-year debt-reduction plan—either before or after national elections which must be held before June.

He has also brushed aside calls from business organizations, credit-rating agencies and the Bank of England to use the coming budget to accelerate the government's debt-reduction plan, insisting the current program is the right one.

The U.K. government has faced a range of warnings from policy makers and rating agencies that its four-year deficit reduction plan could make the country's triple-A credit rating vulnerable.

Speaking at a debate held by the British Chambers of Commerce, Lord Mandelson and Mr. Clarke pledged that their parties, if elected, would remain competitive on tax and regulation and focus on winning the confidence of the debt markets.

Lord Mandelson also said the Labour government would seek to focus the U.K. economy on boosting exports as it moves away from financial services, public spending and consumer debt.

"Public spending and consumer debt isn't going to drive our economic recovery—private investment is going to do that," he said.

But in a testy exchange, Mr. Clarke said the Conservatives would seek to avert or mitigate the government's proposed rise in national insurance, outlined in the prebudget report.

"That is the worst possible tax to choose if you're trying to get out of recession if you have 2.5 million people unemployed," Mr. Clarke said, underscoring that a Conservative government would "keep taxes low" if elected.

Also Thursday, data showed that U.K. gross mortgage lending recovered slightly in February from its lowest level for at least eight years in January, but was still 6% weaker than it was in February last year.

Data from the Council of Mortgage Lenders showed gross mortgage lending, which includes loans for house purchase and remortgaging deals, rose to an estimated £9.2 billion from £8.7 billion in January, which was the lowest level since the monthly data series began in 2002, the CML said.

—Ilona Billington and Nicholas Winning contributed to this article

Swiss economy improves

By Martin Gelnar

ZURICH—Swiss economic data confirmed recent improvements in the country's growth outlook, but a continued rise in the Swiss franc remains a concern.

Swiss exports rose 3.3% in February from February 2009, sending the country's trade surplus 84% higher to 1.29 billion Swiss francs ($1.22 billion). That is underpinning hopes that the export-oriented country may recover faster than initially expected.

The figures mirror recent rises in other forward-looking indicators and upward revisions of economic-growth forecasts by banks and the government.

The Swiss ZEW index, a gauge of economic expectations, rose in March to 53.8 points from 52.5 points in February. Swiss industrial production in the fourth quarter increased 6.4% from the third quarter while falling 1.1% from the year-earlier period. Swiss orders rose 1.4% from a year ago.

Last week, Swiss government agency Seco doubled its gross domestic product estimate for the country in 2010 to 1.4% from 0.7%, and cut its forecast for this year's unemployment rate to 4.3% from 4.9%.

However, many experts see growth leveling off in the second half of the year as government support programs come to an end.

The franc remains a cause for concern. The Swiss currency's persistent rise in the past few months has made Swiss goods and services more expensive abroad, threatening any export-driven upswing. This comes despite the Swiss central bank's occasional interventions in the foreign-exchange market to stabilize the currency, a strategy the Swiss National Bank adopted a year ago.

A man walks past a display of Swiss watchmaker Milus in Basel on Thursday.

However, recent currency moves suggest the SNB may be about to change tack, economists say.

Its failure to counter the euro's slide against the Swiss franc suggests it may be preparing to abandon its strategy of trying to curb the franc's appreciation through intervention, Commerzbank said.

The euro fell as low as 1.4356 francs, the weakest level since October 2008. In late trading, it was at 1.4395, down 0.6% on the day.

"The SNB had previously defended the 1.46-per-euro level, but has recently allowed a further appreciation of the franc," currency strategist You-Na Park said.

The SNB last week left interest rates unchanged at 0.25%, and said it would decisively counteract any excessive appreciation of the Swiss franc.

Swiss rates are widely expected to remain at their current record-low level over the next few quarters.

—Anita Greil and Neil MacLucas contributed to this article.

Euro zone reports large trade deficit

By Paul Hannon

LONDON—The euro zone posted a large trade deficit in January, as exports fell more sharply than imports, with sales to buyers outside the euro zone sliding.

European Union statistics agency Eurostat on Thursday said the 16 countries that use the euro had a combined deficit in their trade in goods of €8.9 billion ($12.2 billion) in January after a surplus of €4.1 billion in December, a figure that was revised down from the previous estimate of €4.4 billion.

January is typically a weak month for euro-zone exports, and so it proved this year, with sales of goods to buyers outside the euro zone falling to €97.8 billion from €112.1 billion in December.

However, with energy demand typically high, euro-zone imports usually don't fall as rapidly, and this January they declined only slightly to €106.8 billion from €108 billion in December.

In January 2009, the euro zone had a trade deficit of €12.1 billion.

Eurostat also published detailed trade figures for 2009 as a whole. They showed that the euro zone had a surplus of €21.8 billion, compared with a deficit of €54.5 billion in 2008.

That largely reflects lower energy prices, with the currency area's energy deficit shrinking to €199.8 billion from €318 billion. Its surplus in its trade in manufactured goods fell to €223.9 billion from €279.3 billion.

Reflecting lower levels of activity in the global economy, Eurostat said euro-zone trade flows were down from 2008, with the exception of its exports to China, which rose 4%. As a result, the euro zone's trade deficit with China narrowed to €90.1 billion from €119.7 billion in 2008.

Germany once again had by far the largest trade surplus, although it fell to €135.8 billion from €177.5 billion in 2008. By contrast, France had a trade deficit of €54.5 billion, while Italy had a trade deficit of €4.21 billion, and Spain a deficit of €49.5 billion. Those figures include trade with those inside and outside the euro zone.

That divergence explains growing tensions between Germany and some of its euro-zone partners. Led by France, they have suggested that Germany's dependence on exports rather than domestic consumption as a driver of growth—based on a government-inspired suppression of wages—is contributing to the currency area's economic malaise.

Greece, the country which has become emblematic of those problems, had a trade deficit of €28.5 billion in 2009, narrower than €43.5 billion in 2008, as imports fell 30%.

Clinton rebukes Russia nuclear plan

Putin, during U.S. secretary of state visit, says Moscow will help Iran launch plant, clouding international efforts

BY JAY SOLOMON
AND RICHARD BOUDREAUX

MOSCOW—Prime Minister Vladimir Putin announced Thursday that Russia will commission Iran's first nuclear-power plant in the port city of Bushehr this summer, prompting a swift rebuke from visiting U.S. Secretary of State Hillary Clinton.

Mrs. Clinton was on a two-day visit to Moscow focused in part on forging a common position with Russia on stepping up economic sanctions against Iran for its continuing push to develop nuclear technologies.

Russia has been developing light-power reactors at the Bushehr complex for more than a decade, and the U.S. has supported the project in principle. But Russian analysts said Mr. Putin's announcement threatened a tacit understanding with the West that Russia would withhold delivery of the fuel needed to launch the Bushehr plant until Iran agreed to cooperate fully with international nuclear inspections.

Mr. Putin's announcement, made at a conference on Russian's nuclear-power industry in the southern city of Volgodonsk, took Mrs. Clinton's entourage by surprise. The top U.S. diplomat was quick to stress that launching the Bushehr plant would send the wrong signal to Iran at a time when the international community was seeking to bring transparency to Tehran's nuclear work.

Agence France-Presse/Getty Images

At a news conference, U.S. Secretary of State Hillary Clinton called Vladimir Putin's Iran nuclear plan 'premature.'

U.S. officials have voiced optimism in recent weeks that Moscow would support a tougher sanctions resolution on Tehran at the United Nations Security Council. The U.S. also has believed Russia could emerge as an ally in gaining support for sanctions from Beijing. China, which has shown no sign of supporting the sanctions, can block a Security Council resolution.

"We have consistently said that Iran is entitled to civil nuclear power. It is a nuclear weapons program that it is not entitled to," Mrs. Clinton said at a news conference with Russian Foreign Minister Sergei Lavrov following Mr. Putin's comments.

"We think it would be premature to go forward with any project at this time, because we want to send an unequivocal message to the Iranians," she added.

Russian officials attending the conference with Mr. Putin said Bushehr could be launched by July. The Russian prime minister described the Iranian project as central to Moscow's push to become a dominant player in the development of civilian nuclear power internationally.

"We continue to work on developing atomic energy capacity both at home and abroad," Russia's Interfax news agency quoted Mr. Putin as saying.

Senior U.S. officials sought to play down any split between Washington and Moscow on the Iran issue.

"We don't have an issue with the Bushehr project overall," State Department spokesman P.J. Crowley said. Mrs. Clinton's "concern was simply: What message does this send more broadly as we're trying to apply pressure on Iran?"

Russia has been developing the light-power reactors at the complex for more than a decade. Iran maintains its nuclear aspirations are peaceful.

The U.S. has supported Moscow's position that it has established the necessary safeguards to prevent Tehran from using Bushehr's nuclear fuel for military purposes. Russia will supply the low-enriched uranium for the plants and take away its spent fuel rods. Inspectors from the United Nations will monitor the plant.

A number of Russia analysts said Mr. Putin's comments were intended to place his stamp on a key national-security issue and to snub the Obama administration.

As prime minister, Mr. Putin is nominally limited to domestic policy. But he has regularly asserted himself on security issues since ceding the presidency to his handpicked successor, Dmitry Medvedev, in 2008. Such interventions raise questions about who is really in charge of the Kremlin's foreign policy.

Ivan Safranchuk, a consultant on Central Asia at the Moscow State Institute of International Relations, said Mr. Putin appeared to be pushing back against Western pressure for Russia to endorse tougher sanctions or acquiesce to the implicit threat by the U.S. and Israel to take military action against Iran if sanctions fail.

"What Putin is signaling is that Russia does not accept this choice of harder sanctions or military means," Mr. Safranchuk said.

The State Department said Thursday that Mrs. Clinton would meet Mr. Putin late Friday in Moscow following her meeting with Mr. Medvedev. The Putin meeting wasn't initially on Mrs. Clinton's schedule, and U.S. officials said the Russian prime minister made his availability known only Thursday morning.

Mrs. Clinton's visit was part of a U.S. effort to improve relations with Russia. President Barack Obama last year promised a "reset" of Washington's ties with Moscow that were often strained in the George W. Bush administration.

Mrs. Clinton and Mr. Lavrov said Thursday that they expected their negotiators to complete a new strategic arms reduction treaty, which regulates the two nations' nuclear-weapons stockpiles, in the coming weeks. And they touted cooperation between the U.S. and Russia in the war in Afghanistan.

"We believe that this reset of the relationship has led to much greater cooperation, coordination, and a constructive ongoing consultation on numerous issues that are important to our bilateral relationship and to the global issues that we both are facing," Mrs. Clinton said.

Germany open to IMF help on Greece bailout

Continued from first page

ers have argued the euro zone should manage the Greek debt crisis internally.

The chancellor's deference to euro-zone sensibilities is fading as chances grow that Greece will need help, a person familiar with the matter says.

German public opinion is overwhelmingly opposed to risking taxpayers' money to save Greece from default. Ms. Merkel's center-right coalition faces a crucial regional election in May that threatens to cost the government its majority in Germany's upper house of parliament.

Bilateral European loans for Greece might be easier to sell if they were part of an IMF program, copying a model that was used to bail out non-euro countries Hungary and Latvia in 2008, German officials say.

A joint IMF-European package could also help the German government survive a potential supreme-court challenge by German opponents of bailing out Greece, say people familiar with the chancellor's thinking.

Mr. Papandreou, whose government is imposing unpopular austerity measures at home as it tries to refinance its heavy debts, suggested in Brussels on Thursday that the EU should put an offer of money on the table.

Greece wouldn't even have to use the EU financing in that case, he implied: The offer alone would allow Greece to borrow from bond markets at less-punitive interest rates.

"When you have that instrument in place, that could be enough to tell the markets: 'Hands off, no speculation. Let this country do what it is doing,' " Mr. Papandreou said.

Mr. Papandreou expressed frustration that Greece's stiff austerity policies, including public-sector pay cuts and tax increases, are generating savings that go "to the interest of those that are loaning to you."

Greece currently has to borrow funds at around 6.5% interest to attract investors, imposing costs that Greek officials say could scupper their attempts to bring down the budget deficit.

Germany's hints at a solution involving the IMF suggest Ms. Merkel is pulling rank over her finance minister, Wolfgang Schäuble, who said earlier this month that "help from the IMF would in my view be an admission that the euro countries can't solve their problems through their own efforts."

Mr. Schäuble and Ms. Merkel have both expressed support for

Bilateral European loans for Greece might be easier to sell if they were part of an IMF program, copying a model that was used to bail out Hungary and Latvia in 2008.

setting up a European Monetary Fund to solve future debt crises in the euro zone, while Ms. Merkel suggested this week that countries might be kicked out of the euro if they persistently broke the bloc's debt rules.

However, those ideas would require changing European treaties and German officials say they are for the longer term, not for the present Greek crisis.

The chancellor could face an struggle to convince Mr. Sarkozy and other euro-zone leaders who want any aid for Greece to come from the euro zone alone.

German officials are preparing to argue that excluding the IMF could violate the German constitution. Germany's supreme court is a staunch defender of German sovereignty, and recent rulings have set limits to the country's European entanglement.

A 1998 ruling allowed Germany to join the euro zone only if it was a "stability community" as promised by EU treaties.

Advisers to the chancellor say that means a bailout of Greece could be legally justified only as a last resort to defend financial stability. That reading would require Greece to have tried all avenues—including bond markets and the IMF.

Flat consumer prices tame U.S. inflation

Latest data give Fed scope to maintain record-low rates; initial jobless claims decline for a third straight week

By Luca Di Leo
And Sarah N. Lynch

U.S. consumer prices were flat in February from the previous month as higher car prices were offset by lower energy costs, leaving scope for the Federal Reserve to keep supporting the economy with record-low interest rates.

Separately, the number of workers filing new claims for jobless benefits fell slightly last week for the third consecutive time.

Meanwhile, the U.S. current account deficit expanded in the fourth quarter to its highest level in a year, as rebounding economic activity resulted in higher imports of oil and other goods.

The seasonally adjusted consumer-price index was unchanged last month, the Labor Department said Thursday, after increasing an unrevised 0.2% in January.

The last time inflation looked so tame was in March 2009, when consumer prices fell by 0.1%.

Core consumer prices, which strip out volatile energy and food items and are more closely watched by the Fed, were up by a monthly 0.1% in February. In January, core prices fell by 0.1%

Economists surveyed by Dow Jones Newswires were expecting an increase of 0.1% in both the headline consumer-price figure and the core consumer-price index number.

On an annual basis, which isn't adjusted for seasonal factors, consumer prices rose by 2.1% in February.

Core consumer prices rose by 1.3% from 12 months ago, the lowest increase since Feb. 2004.

The Labor Department's report showed that energy prices fell by 0.5% on the month, the first decline since April 2009, with the gasoline index falling by 1.4%. Meanwhile, the price of used cars and trucks continued to increase, rising by 0.7% in February, while the index for new vehicles rose 0.1%.

Food prices were up 0.1% last month, with the index for food away from home and food at home both rising by 0.1%.

The latest figures should provide the Fed, whose aim is to keep both inflation and unemployment low, with more ammunition to leave short-term interest rates at a record low to bolster the recovery.

To combat the economy's downturn, the Fed has been keeping its key rate close to zero since December 2008.

In a hearing before the House Financial Services Committee, Fed Chairman Ben Bernanke said Wednesday that low rates are needed to help boost jobs and lift consumption.

Fed officials ended a meeting of their latest policy committee Tuesday noting the U.S. economy is slowly improving, but signaled that it will be at least several more months before they raise short-term interest rates. They repeated that inflation is likely to remain subdued for "some time."

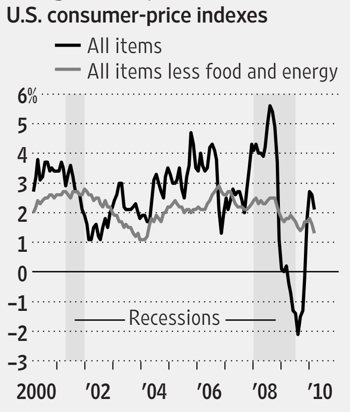
The Labor Department said in its weekly report Thursday that initial claims for jobless benefits fell by 5,000 to 457,000 in the week ended March 13. The previous week's level was left unrevised at 462,000.

The decrease in initial claims was just below economists' expectations. Economists surveyed by Dow Jones Newswires expected initial claims to decrease by 7,000.

The four-week moving average, which aims to smooth volatility in the data, also went down for the week ending March 13. The Labor Department said the four-week moving average decreased by 4,250 to 471,250 from the previous week's unrevised average of 475,500.

No price pressure

Change from a year earlier in U.S. consumer-price indexes



Source: U.S. Labor Department

An economist at the U.S. Department of Labor Thursday called this latest report "uneventful."

Even with several recent decreases in initial claims, they still remain at relatively elevated levels, raising concerns about the pace of the recovery. At a hearing earlier this week, Treasury Secretary Timothy Geithner and other top Obama administration officials called the country's current 9.7% unemployment rate "unacceptable," and suggested that unemployment may remain at an elevated level for the rest of the year.

At the same time, however, other recent survey data appears to suggest some signs of improvement as companies are slowly showing less of a reluctance to hire new full-time workers.

"The claims data is very interesting right now because my perception is that private forecasters and the Federal Reserve are becoming more encouraged about labor market conditions," said Zach Pandl, an economist at Nomura Global Economics. "However, the one thing that is standing out pretty clearly is the level of jobless claims is still extremely high. We are definitely at a recessionary level for jobless claims."

The stubbornly slow recovery of the U.S. labor market has prompted Congress to push for new legislation to help spur job creation. On Wednesday, the U.S. Senate voted to approve a $17.5 billion bill which creates a payroll tax credit for employers who hire unemployed Americans.

In the Labor Department's Thursday report, the number of continuing claims—those drawn by workers for more than one week in the week ended March 6—rose by 12,000 to 4,579,000 from the preceding week's revised level of 4,567,000.

Although last week's figures showed a bump in continuing claims, on a more positive note the four-week moving average for continuing claims fell to 4,575,250. That is the lowest level since Jan. 17, 2009.

The unemployment rate for workers with unemployment insurance for the week ended March 6 was 3.5%—unchanged from the prior week.

The largest increase in initial claims for the week ended March 6 occurred in North Carolina due to layoffs in construction, service, industrial machinery, apparel and transportation equipment sectors. The largest decrease in claims occurred in New York.

The broad measure of U.S. international transactions registered a shortfall of $115.6 billion during the period spanning October through December, the Commerce Department said Thursday.

The third-quarter deficit was revised down to $102.3 billion from an initial estimate of $108 billion.

The latest quarterly deficit was lower than expected, as economists surveyed by Dow Jones Newswires had forecast an expansion to $118 billion in the final quarter of the year.

The fourth-quarter deficit amounted to 3.2% of gross domestic product, up from 2.9% in the third quarter and also the highest level since the fourth quarter of 2008.

However, for all of 2009, the current account gap fell to $419.9 billion, the smallest amount since 2001, compared with $706.1 billion in 2008. As a percentage of GDP, the deficit hit its lowest point since 1998, at 2.9%. That was down from 4.9% in 2008.

The current account measures trade in goods and services, transfer payments, and investment income. A deficit signals a nation is sending more money abroad than it is saving at home. The deficit has started to pick up along with the recovery, having contracted as Americans' lost appetite for overseas goods during the recession.

Most of the current account balance is made up of trade in goods and services. The fourth-quarter trade gap rose to $108.9 billion from $96.4 billion in the third quarter.

Goods alone registered a deficit of $145.5 billion, up from $132.1 billion in the third quarter.

U.S. imports of goods rose to $432.4 billion in the fourth quarter from $395.7 billion, with imports of industrial supplies and oil posting some of the biggest gains.

Sales abroad of goods also increased, rising to $286.9 billion from $263.6 billion, boosted by exports of capital goods, industrial supplies and autos.

—Tom Barkley and Jeff Bater contributed to this article.

U.S. adds two firms in Gaza to terror list

By Bob Davis

WASHINGTON—The U.S. Treasury put two Gaza institutions, **Islamic National Bank** and **Al-Aqsa Television**, on its terrorist-financing list as part of its effort to contain Hamas financially because, it said, they were controlled by the militant group.

The designation prohibits U.S. firms or individuals from doing business with the companies, and essentially tries to cut them off from international financing. The U.S. considers Hamas, which runs Gaza politically and militarily, a terrorist organization.

The fight over Islamic National Bank is part of a long-running battle between the U.S., Israel and the Palestinian Monetary Authority—the banking regulator on the West Bank—to limit the Hamas organization's ability to operate and its ability to do business overseas. Hamas generally gets its funding from abroad, and the money is largely smuggled into Gaza from Egypt, according to PMA and Israeli officials.

The chairman of Islamic National Bank, Ala Rafati, denied the U.S. allegations that the bank was affiliated with Hamas. "They are involving us in politics. We are not at all involved," he said. "We are a private bank that has been registered through the proper procedures."

Al-Aqsa Television didn't respond immediately to requests to comment.

The PMA has worked to block Hamas from using banks in Gaza and elsewhere. In response, according to the U.S. Treasury, Hamas opened Islamic National Bank in April 2009.

Jihad al-Wazir, the PMA's governor, said the monetary authority immediately tried to isolate the bank by denying it a banking license and prohibiting other banks in Gaza and the West Bank from doing business with it.

He said that Treasury's decision "won't add or subtract to the measures we have already taken."

Treasury also put on its financial blacklist Al-Aqsa Television, which it says "airs programs and music videos designed to recruit children to become Hamas armed fighters and suicide bombers upon reaching adulthood."

Getty Images

Speaker of the House Nancy Pelosi Thursday at an event at the U.S. capitol highlighting a health-care overhaul.

Health tab: $940 billion

Cost estimate paves way for vote as Obama delays his trip to Asia

By Janet Adamy

WASHINGTON—The final version of the Democrats' health overhaul will cost $940 billion over a decade and expand insurance coverage to 32 million Americans, according to a Congressional Budget Office report released Thursday.

The release of CBO's analysis of the overhaul plan paves the way for a climactic vote as soon as Sunday on President Barack Obama's top domestic priority.

The president was supposed to leave for a trip to Indonesia and Australia next week, but the White House said Thursday that the trip would be postponed so Mr. Obama could focus on the looming health-care vote in the House. White House spokesman Robert Gibbs said Mr. Obama would make the trip in June instead.

The CBO report said that, in total, the health-care package would reduce the deficit by $138 billion over the first decade of the legislation. The report says the Senate bill that is expected to go before the House will reduce the debt by $118 billion, and a package of changes on which the House is also planning to vote will reduce it by an additional $20 billion over that time.

The cost estimate gives Democrats a critical piece they need to win over wavering lawmakers on the bill. Many had said they were waiting for the CBO analysis before making up their minds.

House Speaker Nancy Pelosi said leaders were "very pleased" with the long-term debt-reduction projections from the nonpartisan CBO. "It's even more savings than the Senate bill," she said.

The White House had originally estimated the package would cost $950 billion over a decade. The health-overhaul bill passed by the Senate on Dec. 24 carried a 10-year price tag of $871 billion, while the House's version passed Nov. 7 was pegged at $1.055 trillion over a decade.

Republicans repeated their criticism of the legislation Thursday and called on wavering Democrats to vote no.

"Every time a new iteration of the Democrats' health-care bill is unveiled, the price tag goes up," said Senate Republican Whip Jon Kyl of Arizona. "The only thing that remains the same is that the American taxpayer will be on the hook to pay for it."

The legislation would reduce the annual growth in Medicare expenditures by 1.4 percentage points per year and begin to close a gap in seniors' prescription-drug coverage known as the doughnut hole. Through cuts in payments to Medicare providers, the bill is expected to extend the solvency of the Medicare insurance program by at least nine years.

Republicans repeated their criticism of the legislation Thursday and called on wavering Democrats to vote against it.

The final package is made up of the Senate version of the health overhaul and an additional bill containing changes aimed at winning over House Democrats.

As of early Thursday, House leaders were still about 10 votes short of the 216 they need to pass the legislation.

Fiscally conservatives Democrats plan to study the package before announcing whether they will support the legislation, and their votes will be critical in determining the outcome.

After appearing in peril just weeks ago, Thursday's developments showed how the health overhaul has gained significant momentum in recent days. Democratic leaders and the White House plan to put heavy pressure on wavering members over the weekend in a bid for the remaining votes.

AFL-CIO President Richard Trumka said Thursday he has recommended that the labor federation support the bill. "We're convinced that now is the time to say yes," Mr. Trumka said on a conference call with reporters.

The legislation calls for the most significant changes to the health system since the government created the Medicare program for the elderly more than four decades ago. The bill would create a near-universal system of health insurance by giving tax credits to lower earners to offset the cost of buying insurance and expanding the Medicaid federal-state insurance program for the poor.

It would prevent insurers from denying coverage to people because they have a pre-existing health condition and revoking their policies if they became ill. In exchange, nearly all Americans would be required to carry insurance or pay a fine. Small businesses would get tax credits to help them provide coverage, and large employers would pay a penalty if they didn't provide affordable coverage and their workers obtained a government insurance subsidy.

It wasn't clear whether some of the newest changes sought by the White House will remain in the legislation. The White House is seeking a new federal rate board to regulate insurance premiums. Some Democrats have questioned whether the board would pass muster with the Senate parliamentarian, who must vet the package of changes to make sure they're all related to the federal budget.

With the bill in its final stretch, interest groups were engaged in a last-minute push to shape the outcome. Businesses groups were targeting on-the-fence Democrats and asking them to vote no on the grounds that the bill will raise taxes and doesn't go far enough to reduce the growth of health costs. Drug makers and hospitals were preparing to line up in support of the final package, with pharmaceutical companies planning to spend heavily on advertising thanking Democrats who vote in favor. But they were waiting to see the final bill before pulling the trigger.

—Patrick Yoest and Melanie Trottman contributed to this article.

Amid health-bill debate, public gets sick of Congress

[Capital Journal]

By Gerald F. Seib

Congress has a problem with health care, and it isn't simply that the debate over the subject has been long, divisive and, as of week's end, still inconclusive. The brawling also has fed a public unhappiness with the institution of Congress that now borders on disgust.

That stark reality puts into better perspective this week's hot new wrinkle in the health debate: Whether Democratic House leaders can or should use the so-called deeming device to allow their members to avoid at least one uncomfortable vote on the giant health bill. Whatever the merits or demerits of this maneuver, and whether its use should be considered normal or an outrage, deploying it now probably wouldn't do much to polish up Congress' already-tarnished image.

On this front, the findings from a Wall Street Journal/NBC News poll released this week are sobering. Congress's job approval has slid to 17%; it hit similar depths during the 2008 election year, but then recovered, and now is trending steadily downward.

Congress always looks worst when it's in the middle of making the sausage known as legislation.

When Americans were asked to pick among eight phrases to describe their feelings about Congress, all four negative phrases on the list scored higher than any of the four positive attributes offered as options. The problem appears bipartisan; Democrats in general are less popular than is President Barack Obama, and Republicans in general are less popular still.

Most striking, the Journal/NBC News pollsters posed this hypothetical: If there were a line on the ballot that would allow you to defeat and replace every single member of Congress, including your own representative, would you do it? Fully half of the respondents said they would.

"That is just stunning and amazing," says Democratic pollster Peter Hart, who conducts the Journal/NBC News survey along with Republican Bill McInturff.

It isn't just classic populists expressing that sentiment. Half of professionals and managers, and half of upper-income Americans opted for the hypothetical house-cleaning. And Americans who said they would consider voting for a candidate from the (still non-existent) Tea Party—well, for them, this idea is a dream come true.

Seven in 10 Tea Party enthusiasts said they'd go for the wholesale House cleaning.

At this point, it's worth taking a deep breath and seeking a little perspective on such attitudes. Congressional approval ratings actually were a bit lower at some points during the unhappy election year of 2008, which suggests we're in the midst of a long-term, not a new, era of voter discontent.

Congress always looks worst when it's in the middle of making the sausage known as legislation, and that's certainly what the country is watching now. By contrast, lawmakers usually look better when the sausage is finished, packaged and displayed on the store shelf.

The disaffected include both those who dislike what Congress is doing, as well as those unhappy because Congress isn't getting more done. It's also true, as is always the case, that Americans are harder on the institution of Congress generally than they are on their own representatives specifically.

But even that tendency to give the local representative a break has declined, which represents a warning light for incumbents of both parties this election year. Asked about the performance of their own representative in Congress, 45% said they approve. That's far higher than the 17% job approval for Congress as a whole, of course. But it's well below, for example, the 68% who gave their own representative an approving grade back in 1989.

Even more chilling for incumbent lawmakers, just 38% said their own representative deserves to be re-elected while 51% said it's time to give somebody new a chance

The question of the hour—of the year, really—is how much of this scowling is purely a result of the health brawl, and how much of it might ease once that is over.

Which takes us back to the current "deeming" debate within the health debate. Exotic as this legislative maneuver sounds, it's actually a simple idea. To get a health bill done, the plan had been for the House to pass the Senate's version of the legislation, and then immediately pass a separate measure making changes to fix provisions House members don't like.

Deem and pass means that House members would vote only on the changes to the Senate bill, and simply "deem" that they have passed the underlying legislation in the process of fixing it up. The aim of Democratic leaders in the House would be to free their members from having to vote for a Senate bill containing unpopular provisions such as the "cornhusker kickback"—a special deal inserted to woo Nebraska Sen. Ben Nelson by exempting his state from some Medicaid payments—when everybody agrees those provisions will be cut out anyway.

To Republicans, it's just trickery. To Democrats, it's a way around a political trap. The problem Democrats face with that argument, though, is that in their current mood, many voters don't appear inclined to give Congress the benefit of the doubt.