What to do with Fannie and Freddie?

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Mr. Geithner, who is developing a plan for Fannie and Freddie, has promised that "private gains will no longer be subsidized by public losses," but he also insists that "there is quite a strong economic case, a quite strong public-policy case, for preserving and designing some form of guarantee by the government."

Are the two agendas — private risk and public assurance — consistent? Peter J. Wallison, an American Enterprise Institute scholar, said he feared that Congress might choose the path of least resistance and revive the twins as government-sponsored private firms.

Yet private companies, Mr. Wallison said, cannot perform a public mission, which the twins' recent history would seem to confirm.

If homeownership was the goal, securitization barely made a dent. In 1980, 64 percent of Americans owned their homes; three decades later, the rate is 67 percent. What the twins accomplished during the bubble was to help some people who could not afford mortgages temporarily pose as owners.

Are the firms really so indispensable? Unlike the situation during the Depression, there is a private market for mortgages, even if it is dormant now. The government might consider making a calculated exit.

A strategy proposed by Mr. Jaffee is for Fannie and Freddie to gradually raise the fees they charge for guaranteeing the value of mortgage securities. At some point, private companies would be able to securitize mortgages for less, and the business would shift to the private sector. Functions the market will not support, like helping affordable housing, are best transferred to the government, financed on-budget.

America may want a private mortgage market, or it might want the security of a subsidized market. What every administration since L.B.J.'s has coveted and what has always been a lie is that we can get a subsidized market free.

Roger Lowenstein, an outside director of the Sequoia Fund, is a contributing writer for The New York Times Magazine

Coney Island gets face-lift by way of Italy

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at Bocconi University in Milan, said Zamperla was representative of Veneto's fertile manufacturing tradition only "up to a certain point," as it had taken the leap into the international market. "That is not so common," Mr. Tripodi said, "and one of the great challenges is the measure by which these businesses are able to be protagonists in other markets."

A stroll though the headquarters at Altavilla Vicentina hints at the complexity of producing amusement park rides for the world's major theme parks, including various Disney Parks ("In our business, it's the best reference you can have," Mr. Zamperla said), Six Flags theme parks and malls worldwide. Even the late Michael Jackson's Neverland estate has Zamperla rides.

On average, the company spends about €1 million, or $1.33 million, a year designing new products. Attractions are designed using complicated computer algorithms and mathematical models and then built and tested here. Zamperla has dozens of patents on items like merry-go-round decorations and roller coaster seats.

"This is where ideas are born," Mr. Zamperla beamed as he looked at the Moto Coaster, a ride being prepared for a dinosaur theme park in Changzhou, China. Each ride requires about a year from design to delivery, he said, and can cost anywhere from €20,000 to €6 million. The Moto Coaster sells for €3.5 million and will be one of the new attractions at Coney Island next year.

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The Coney Island site will be called Luna Park after the original playground, seen between 1910 and 1915. The park, opening at the end of May, is getting a $30 million renovation.

Safety, and compliance with international standards, is an obvious priority. Accidents are rare, but they do happen, and Zamperla has not been spared. "You build as safely as you possibly can — the laws regulating amusement rides are more severe than for automobiles," Mr. Zamperla said.

The global economic turmoil has been felt in the amusement ride industry, though in 2009 the effects were felt less in Europe than in other parts of the world, said Mr. Andersen, of the amusement park association. Last year, about 4.5 million people visited amusement parks in Europe.

"There's money to spend on investments," Mr. Andersen said, which makes him optimistic about the industry's future. "It's a resilient business that has proven it can reinvent itself over the last 80 and 90 years, and I am confident it will continue to do so," he said.

Demand is growing in new markets, too, especially in the Middle and Far East. Zamperla has a factory and sales offices in Suzhou, China, to serve the fast-growing Chinese market. "We're not going to make the mistake of underestimating the Chinese," he said.

The factory in China produces about €4 million worth of rides for the Chinese market. He exports about the same amount from Italy to China and hopes to reach €20 million in sales in two years.

And in well-established markets like the United States, long-term success in the amusement ride industry depends on novelty, Mr. Andersen said.

This year, for example, Coney Island will see the debut of Air Race, an airborne experience that the company describes as "the ultimate thrill ride," alongside more placid family fare. Next year, new rides are expected in the Scream Zone, an addition to the park that will feature several Zamperla roller coasters intended mostly for teenagers.

"In the end, all we want to do is build rides that people will enjoy," Mr. Zamperla said. And Coney Island, he said, "will be the perfect showcase" for the company.

Ratings agencies felt pressure to please clients

WASHINGTON

BY SEWELL CHAN

In 2004, well before the risks embedded in Wall Street's bets on subprime mortgages became widely known, employees at Standard & Poor's, the credit rating agency, were feeling pressure to expand the business.

One employee warned in an internal e-mail message that the company would lose business if it failed to give high enough ratings to collateralized debt obligations, the investments that later emerged at the heart of the financial crisis.

"We are meeting with your group this week to discuss adjusting criteria for

losing deals," the e-mail message said. "Lose the C.D.O. and lose the base business — a self reinforcing loop."

In June 2005, an S.&P. employee said tampering "with criteria to 'get the deal' is putting the entire S.&P. franchise at risk — it's a bad idea." A Senate panel was to release 550 pages of exhibits Friday at a hearing scrutinizing the role S.&P. and another agency, Moody's Investors Service, played in the 2008 crisis. The panel, the Permanent Subcommittee on Investigations, released excerpts of the messages Thursday.

"I don't think either of these companies have served their shareholders or the nation well," said Senator Carl Levin, Democrat of Michigan.

In response to the Senate findings,

and processes," and S.&P. said it had "learned some important lessons from the recent crisis" and taken steps "to increase the transparency, governance, and quality of our ratings."

The investigation, which began in November 2008, found that S.&P. and Moody's had used inaccurate rating models from 2004 to 2007 that failed to predict how high-risk residential mortgages would perform; allowed competitive pressures to affect their ratings; and failed to reassess past ratings after improving their models in 2006.

The companies did not assign adequate staff to examine new and exotic investments and neglected to take mortgage fraud, lax underwriting and "unsustainable home price appreci-

By 2007, when the companies, under pressure, acknowledged their failures and downgraded the ratings to reflect the true risks, it was too late.

Large-scale downgrades over the summer and autumn of that year "shocked the financial markets, helped cause the collapse of the subprime secondary market, triggered sales of assets that had lost investment-grade status and damaged holdings of financial firms worldwide," according to a memo summarizing the panel's findings.

A financial overhaul being debated in the Senate would subject the rating agencies to comprehensive regulation and examination by the U.S. Securities and Exchange Commission for the first time.

ON THE RECORD

"Our No. 1 priority is and must be safety."

ALEX BRISTOL, a senior manager at National Air Traffic Services, a private company that manages Britain's air traffic system, dismissing criticism of excessive caution by the European authorities in shutting down airports because of the cloud of volcanic ash from Iceland.

"It's a natural issue. Never complain. You can't change this."

LEO LIAO, a Hong Kong businessman stranded at the Frankfurt airport because of the travel chaos.

"I spend most of my leisure time on the Internet. There's nowhere else to go."

LI YUFEI, 18, a student at Shanghai Maritime University. Frustrated with media censorship, bland television programming and limits on foreign films, young Chinese have turned to the Web for alternatives.

"The market wants it clearly pinned down that the money is there and ready to go."

DAVID SCHNAUTZ, a strategist at Commerzbank in Frankfurt, on why investors were reluctant to buy Greek bonds before a meeting of European Union and International Monetary Fund representatives to set the terms of a bailout package for Greece.

"It's succotash. It's bouillabaisse. It's a real mix."

BRAD HINTZ, an analyst at Sanford C. Bernstein, describing Goldman Sachs's mortgage business as opaque because of the way the bank combined the results of its various holdings instead of breaking out those performances separately.

"If Goldman Sachs decides to litigate, you know it's going to be a war."

DONALD C. LANGEVOORT, a law professor at Georgetown University, who considers the U.S. Securities and Exchange Commission's suit against the company a sign of the