

Fed and Treasury Duopoly Hot Seat House GS Grill Doctrine of the FT Firemen or the Mouse that Roared?

Today was the time that tried men's souls in DC.

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Members of the House Government Oversight and Reform Committee Members knew full well since the Mass Brown Kennedy Senate Seat shot heard round the world, their electoral survival hinges on doing their job supervising the Fed and Treasury on behalf of the little people who pay taxes.

Thus the gloves came off to a point, namely four minutes.

By waffling for four minutes at a time with I don't remember, I was not involved and let me enlighten you, Mr Geithner and Mr Paulson arrogantly and repeatedly ran out the clock, a more deadly defense than reciting the 5th Amendment.

Why did more of the Committee not hold them to simple Yes and No answers or take more time for truth-finding?

Within those four-minutes soliloquies, we had a few flashes of genuine government oversight, if not reform.

Mr Geithner repeatedly claimed he was totally responsible for transparency, yet not involved in giving Goldman Sachs billions of taxpayer dollars that became GS bonuses by passing them through AIG at par instead of the typical standard distress bailout haircut.

Mr Geithner claimed he recused himself once nominated for Treasury Secretary, although the AIG TARP 100% bailout pass-through happened before that. He did not clarify phone log evidence of hundreds of calls to Fed Chair Bernanke, Treasury Secretary Paulson, Goldman Sachs chair Lloyd Blankfein and US Rep Rahm Emmanuel, now Obama Chief of Staff.

Mr Geithner and Mr Paulson declared they had no authority to let bankruptcy laws close the failed London derivative subsidiary while saving the sound insurance subsidiaries.

They saw no problem with the bait and switch of \$770 Billion TARP going from market liquidity to Goldman Sachs support. They admitted they or their Chief of Staff worked for Goldman Sachs and claimed the highest integrity in saving the taxpayers.

Both repeatedly declared the need for regulatory reform with more authority, while not admitting roles in disabling reform and abusing authority.

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They declared pride for what they did, claiming unemployment would not be at 10%, and housing prices and pensions would be down much further with unmitigated disaster.

Let the record show true unemployment is currently 22%. Housing and pensions are down as much as -50% so far with government bailouts.

As Congressionals Bilbray, Burton, Chaffetz, Clay, Cummings, Davis, Duncan, Fortenberry, Issa, Jordan, Kapture, Kucinich, Lynch, McHenry, Mica, Town, Turner, Van Hollen, Westmoreland, declared, testimony stretched credulity and begged a thorough audit of the Fed.

Several decried the moral hazard of government in free market discipline with the notion of too big to fail.

Several used the Watergate Coverup code word.

Turner called TARP the biggest taxpayer fraud and theft in history.

While the hearing played to the people, with the scenario of the great Wall Street Golf Club Theft at the expense of Main Street business, homes, jobs and savings, it was clear many Committee members did not understand the intricacies of finance that Mr Geithner and Mr Paulson used to duck simple Yes or No answers to key questions.

Both witnesses were given permission by Chair Edolphus Towns to leave before all members of the Committee had their paltry four minutes to ask questions. It was clear from several Committee member comments they had evaded answering questions after previous hearings and before this one.

At the end of the day one is left wondering if this is just another Washington DC monopoly media coverup leading America further down the road to ruin. Today it seems monopoly media may be more interested in reporting on the Apple iPad.

We shall all know more in the fullness of time if we see indictments and convictions from the destruction of trillions in citizen taxpayer wealth enriching a plutocracy.

Right now it is clear the government and free economy do not mix well. With regard to government intervention, in for a penny, out for a dollar seems relevant.

The concept of Too Big to Fail would seem to be a coverup for significant wealth transfer from those who produced it to corporate government cronies.

The failure of elected representatives to police Fed, Regulatory and Treasury authorities and hold them accountable to We the People, may hasten the revolution Jefferson and Paul felt is so essential to the freedom, health and prosperity of America.

In the meantime, Mr Market is marking down time on light volume, waiting for any further pennies or shoes to drop.

While pundits suggest the market may go up if there are no convictions, we think it more likely the market may go down, perhaps after a head fake to the upside.

As we are not in the crystal ball fortune-telling business, we note our reason for this thought is that at 83 times trailing reported earnings, the market is overvalued and interest rates are rising.

Big 4 confirmed this with current shorts on these assets.

What today's **House Oversight and Reform Committee** grilling made clear is that the Fed and Treasury Duopoly was more

arsonist than fireman.

Regards*Rich

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