WHAT IF BIG MEDIA BECAME A SYSTEMIC RISK?

During today's hearing, in the context of asking why the Administration was somewhat urgently pressing its proposal for systemic wind-down authority first, John Campbell (R-CA) asked Tim Geithner whether there were other non-banks that constituted systemic risks that might fail.

> TG: In context of proposals for more accountability. They need to be viewed together. We'll work with committee on best legislative vehicle. Understand can't do this piecemeal.
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> Campbell: Why move on this separately. Are you expecting additional non-bank failures.
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> TG: [Again no real answer] It would be in the interest of the country to make sure we've got broader rules. Less costly for the taxpayer.

Geithner pretty pointedly didn't answer that question, which doesn't reassure me that there's not another AIG out there.

Which is why I find it interesting that Ed Royce (R-CA) brought up one of the other entities that—like AIG—chose to be regulated by the Office of Thrift Supervision rather than a stricter European regulator: GE.

GE held a panicked investor meeting last week to lay out the status of GE Capital, and has failed to meet a number of recent promises.

> Shortly before announcing first-quarter earnings in 2008, [Jeff] Immelt—who was not at the Mar. 19 session—said the quarter's results were "in the bag," only to miss the quarter's number

> significantly.
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> Then last fall, Immelt said the company would not need to raise new capital—not long before it sold $3 billion in preferred stock to Warren Buffett and announced plans to offer at least $12 billion in stock to the public. More recently, GE slashed its dividend 68% for the second half of 2009, following months of stating that it would maintain its dividend for the year.

And, as happened to AIG last year, ratings agencies have been cutting GE's credit rating.

Oh, and there's that bit about GE's media employees being asked to put off raises for a while.

Now, at least some observers are advising not to be too concerned about GE—so I will assume that Royce was presenting a scary hypothetical rather than predicting the demise of GE. And I will take it as Royce presented it—a big what if?

What if the world's largest non-bank finance company attached to the arms and lightbulb manufacturer attached to one of the biggest media companies in the US were considered a risk to our finance system? **What if** FDIC and Treasury and the Fed grew worried that NBC's parent company was sinking under the weight of GE Capital's defaulting loans and started thinking about "resolving" it? How would we expect Jim Cramer or Chuck Todd to act?

Like I said, I don't think GE Capital/GE/NBC is going down—they've got some crummy loans in a terrible economy but I don't think they're leveraged that badly. But for some reason, Royce's hypothetical really hits home where this systemic problem could go.

But then, it was always a horrible idea to have one of your biggest corporations and non-bank finance companies own one of your biggest media companies.