GEITHNER'S DUPLICITOUS EFFORTS TO REINFORCE THE OLIGARCHY

Bloomberg's blockbuster story–showing that the Fed was dumping $7.77 trillion into the same banks that Treasury was claiming were solvent to qualify them for TARP–shows a number of different things. It focuses on the $13 billion in profits the banks made off of massive secret loans from the Fed.

> The 190 firms for which data were available would have produced income of $13 billion, assuming all of the bailout funds were invested at the margins reported, the data show.

More importantly, IMO, the Bloomberg piece also shows how Ben Bernanke, TurboTax Timmeh Geithner, and Hank Paulson used secrecy to get DC's bureaucracy–both Congress and Executive Branch officials–to push through his preferred plan to prop up the TBTF banks.

They did this in two ways: first, by keeping details of the Fed's massive lending secret from the people implementing TARP.

> The Fed initially released lending data in aggregate form only. Information on which banks borrowed, when, how much and at what interest rate was kept from public view.
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> The secrecy extended even to members of President George W. Bush's administration who managed TARP. Top aides to Paulson weren't privy to Fed lending details during the creation of the program that provided crisis funding to more than 700 banks, say two former senior Treasury officials who requested

> anonymity because they weren't authorized to speak.

This meant the Fed could hide the fact that the six biggest banks were basically insolvent, and should have been wound down rather than propped up with a strings-free TARP.

> The Treasury Department relied on the recommendations of the Fed to decide which banks were healthy enough to get TARP money and how much, the former officials say. The six biggest U.S. banks, which received $160 billion of TARP funds, borrowed as much as $460 billion from the Fed, measured by peak daily debt calculated by Bloomberg using data obtained from the central bank. Paulson didn't respond to a request for comment.

The article makes it pretty clear that both Citi and Morgan Stanley would be non-existent right not but for the secret Fed lending. Yet as both Judd Gregg and Barney Frank make clear, neither of them were told that the banks were insolvent.

> Judd Gregg, a former New Hampshire senator who was a lead Republican negotiator on TARP, and Barney Frank, a Massachusetts Democrat who chaired the House Financial Services Committee, both say they were kept in the dark.
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> "We didn't know the specifics," says Gregg, who's now an adviser to Goldman Sachs.
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> "We were aware emergency efforts were going on," Frank says. "We didn't know the specifics."

The effort to prevent Congress from learning the truth extended though the passage of Dodd-Frank. Glass Steagall advocates Ted Kaufman and Byron Dorgan both claim (though I'm not convinced) that had Congress been informed how much these big banks relied on Fed lending to stay afloat, it would have been easier to persuade colleagues to break up the banks.

Instead, TurboTax Timmeh—one of the few people who appears to have been privy to the extent of the lending—told Congress imposing size restrictions on banks was too much for democratically elected representatives to handle; instead, hand-picked bank regulators—the people who are today imposing austerity in an effort to prevent banksters from taking their share of losses—should do the job.

> On May 4, 2010, Geithner visited Kaufman in his Capitol Hill office. As president of the New York Fed in 2007 and 2008, Geithner helped design and run the central bank's lending programs. The New York Fed supervised four of the six biggest U.S. banks and, during the credit crunch, put together a daily confidential report on Wall Street's financial condition. Geithner was copied on these reports, based on a sampling of e- mails released by the Financial Crisis Inquiry Commission.
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> At the meeting with Kaufman, Geithner argued that the issue of limiting bank size was too complex for Congress and that people who know the markets should handle these decisions, Kaufman says. According to Kaufman, Geithner said he preferred that bank supervisors from around the world, meeting in Basel, Switzerland, make rules increasing the amount of money banks need to hold in reserve. Passing laws in the U.S. would undercut his efforts in Basel, Geithner said, according to Kaufman.

As the article's punch line makes clear, TurboTax Timmeh got his way. And the "limits" the bank regulators put in place don't go into effect for another 7 years.

The story as a whole is mind-boggling. But behind all the stunning numbers, the important takeaway seems to show how TurboTax Timmeh and a few of other oligarch’s other captive servants managed to bypass both Executive Branch bureaucracy and democratic oversight or input to bail out banks while making the banking system still more fragile.