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## **Cower Before the Great and Powerful Paulson**

by The Mogambo Guru

*"My God! This is beyond belief! The Secretary of the Treasury will be above the law! My God! I was going to wax loudly indignant, as should all thinking people, when Mr. Sorkin eclipsed me..."*

I gotta admit that I am getting Really, Really, Really Freaked Out (RRFO) here lately, and I spend too, too, too much time whining and crying about it. As a result, I desperately seek the solace of gold, silver, oil and large-caliber guns while safely ensconced in the Big, Beautiful Mogambo Bunker (BBMB).

In fact, it was while I was in there that I learned that the new Leading, Coincident and Lagging Indicators came out, and it was just more bad news; the Leading Indicator (economic activity a year from now) was down, the Coincident Indicator (economic conditions right now) was down, while the Lagging Indicator (burdens and inflation) was up! Yikes! Stagflation, the worst of all worlds!

Perhaps this is why Andrew Ross Sorkin of the New York Times is as chilled as the rest of us by the fact that "the Treasury secretary - whoever that may be in a few months - will be...vested with perhaps the most incredible powers ever bestowed on one person over the economic and financial life of the nation", as the Troubled Asset Relief Program, popularly known as TARP, gives Mr. Paulson a massive \$700 billion bailout that Mr. Sorkin says shows "the lack of transparency and oversight that got our financial system in trouble in the first place", and which actually "seems written directly into the proposed bill."

He says to look at the original draft of the bill, as first presented to Congress, and you will see such unbelievable horrors as "The Secretary is authorized to take such actions as the Secretary deems necessary to carry out the authorities in this act without regard to any other provision of law regarding public contracts", and that "Decisions by the Secretary pursuant to the authority of this Act are non-reviewable and committed to agency discretion, and may not be reviewed by any court of law or any administrative agency."

My God! This is beyond belief! The Secretary of the Treasury will be above the law! My God! I was going to wax loudly indignant, as should all thinking people, when Mr. Sorkin eclipsed me by characterizing it as "Treasury Secretary Henry M. Paulson Jr.'s \$700 billion proposal to bail out Wall Street is both the biggest rescue and the most amazing power grab in the history of the American economy."

Naturally, this precipitated the now-delayed Mogambo Loud Harangue Of Outrage (MLHOO), wherein I paraded down Central Avenue wearing the cutest little ballerina tutu and tiara, shouting through a bullhorn "Meet and greet your doom, you miserable lowlife bastards! \$700 billion of new taxpayer money at the total discretion of the same corrupt idiots who got us into this damn mess is just for openers! It will get worse and worse, and you should buy gold, silver and oil right now, because the dollar is freaking toast because the brains of the people running the show are likewise burned to a crisp,

probably by rays from the Russian Mafia and the CIA, or aliens from outer space!"

Well, I did not get all that far along on my heroic Paul Revere mission to inform the populace at every Middlesex village and farm that "The red ink is coming! The red ink is coming!", as was I soon apprehended, as one should expect from the ubiquitous police state that has become the American economy.

Like I said; I was already really, really, really getting freaked out when I got an email from Junior Mogambo Ranger (JMR) John H., who made sure that I got the startling news reported in the New York Times that "With little notice, regulators at four agencies that oversee the nation's banks and savings associations proposed a significant change in accounting rules to bolster banks and encourage widespread industry consolidation by making them more attractive to prospective purchasers."

Being naturally curious, suspicious, and paranoid, we ask ourselves "How to do this?" The answer is: By doing more of the same! Hahaha! Too much! The article goes on, without any evidence of deliberate sarcasm or irony, "The regulators and the Bush administration have decided to resort to further loosening of the accounting rules to try to get the industry through problems that some experts have attributed in large part to years of deregulation." Hahaha! Deregulate to solve the problems caused by deregulation! Hahahaha!

And what "accounting rules" are they suspending? "The action by the four banking agencies provides more favorable accounting treatment of so-called goodwill, an intangible asset that reflects the difference between the market value and selling price of a bank."

In short, a good name and a swell reputation of a company is its goodwill, and is reflected as a premium built into the valuation of the company. Adam Levitin at Credit Slips admits that "Goodwill is a very problematic asset - it doesn't have much (if any) liquidation value and can't be sold by itself."

So what is it, exactly, that these "regulators" are going to do with goodwill? "Under the proposal issued this week, the regulators would permit buyers of banks and thrifts to count some of the goodwill toward meeting their regulatory capital requirements."

Initially staggered at the unfathomable corruption involved in letting "reputation replace money" as capital reserves against deposits, I soon felt that maybe I had made a mistake in laughing, as this new concept is actually a wonderful invention! I love this!

No longer will I even be required to put real IOUs in the employee pension fund when I dip into it to satisfy my need for a little extra cash, and instead my reputation as a good guy is, alone, now enough to cover the debt! I love this!

I'm surprised I haven't heard of it before this, as The Times notes "we've been here before - in the S&L crisis, when the Federal Home Loan Bank Board (now OTS) permitted thrifts to count goodwill toward regulatory capital. The results weren't pretty, as counting goodwill toward capital masked institutional insolvency and permitted thrifts to get even more leveraged relative to real assets." Hahaha!

So it is the same old wheeze: The government used reputation-as-money as a

smokescreen to let the S&Ls get into worse trouble!

I look into your eyes. You look into my eyes. We both look at gold and silver. We both know what the other is thinking.

**P.S.** In a previous edition of the Mogambo Guru newsletter (mott "Each issue more stupid and worse than the last!"), I made a series of mistakes concerning Jon Nadler of Kitco.com, the first of which is that I misspelled his name as "John", which I was hoping was the result of my computer's spell-checker "correcting" the name "Jon" into "John", but I now see that that ain't what happened.

And then I discovered that you can't cover it up by taking "Jon" out of the computer's internal spell-checker dictionary so that it WILL change "Jon" to "John", either! Damn! Why is everything always against me? It's not fair!

The second mistake is that there seems to be some mix-up between what Mr. Nadler actually said versus what he was quoting Mark Hulbert as actually having said. My Official Mogambo Plea (OMP) is, of course, "Not guilty, your Honor!", and I blame everything on...(looking around the courtroom for a victim)...Greg, my editor.

Unofficially, and this is just between you and me, I am sure that it was a confluence of my own problems, starting in 2nd grade when we first learned that little Mogambo "Does not read with comprehension" (which is just for openers, and the tally finally ends with "Does not get along well with others", even though I maintain that I would have gotten along with them if they weren't such morons, but they were, so to hell with them!).

Now, combine that natural incompetence, suspected brain damage and a pathological lazy-yet-superficial attitude about everything that does not involve food, sex or new ways to hit a golf ball 300 yards right up the middle, with the sheer tonnage of medications I am taking these days, two of which specifically warn "may cause confusion", which is, unfortunately, only one of the entire freaking constellation of side effects stemming from each of them, and all of them interacting with one another, including emergent multiple personalities and hearing voices that demand "Burn! Burn everything!", but when I go back to the doctor and say, "Hey, man! You gotta do something about all these pills making me dizzy, tired, achy and spaced out! I think I can see through time, for God's sake!" he gives me another prescription for another pill that will mask the symptoms. Damn!

Anyway, my apologies to Jon Nadler for the confusion, my apologies to anybody who actually thought I have a clue about what I am yammering about, but I will strongly insist on my First Amendment rights under the Constitution, and thus I stand proudly and say "Not Guilty! It was Greg! Greg did it!"