

Geithner, Before Congress, Is Pinned on Libor Coverup

by Nancy Spannaus

July 28—While members of the LaRouche Political Action Committee (LPAC) rallied outside the Capitol, Treasury Secretary Timothy Geithner had to face some pointed questions about his complicity in covering up the Libor interest-rating fixing crime last week. Geithner appeared before the House Financial Services Committee on July 25, and the Senate Banking Committee July 26, to present the annual report of the Financial Stability Oversight Council. Instead, by the conclusion, he found himself pinned into admitting that he had failed to act to stop a financial crime—a crime which, in reality, led to widespread suffering, and even deaths, in localities through the U.S. and Europe.

On the eve of the testimony, the New York Federal Reserve Bank, which Geithner headed in 2007-08, was served with a third request from the Oversight and Investigation Subcommittee of the House Financial Service Committee, on the issue of the Libor crime. Subcommittee chair Rep. Randy Neugebauer (R-Tex.) demanded all communications about Libor from August 2007 to the present, among all New York Fed employees, and between them and employees of any of the 18 banks that set Libor rates, and any U.S. and foreign government agencies.

Geithner may have hoped to avoid the issue, but he was pressed repeatedly to answer the most embarrassing question: “Did you report the criminal behavior of the rigging of the Libor rate to the Department of Justice?” After hemming and hawing at some length, he was forced to admit: “No, I did not.”

This admission lays Geithner open to prosecution. For not only did some of the e-mails so far released by the Bank of England indicate that he was involved in setting the fraudulent rates, but he also was under obligation, as a Fed official, to report criminal activity. And, as former Special Inspector General of the TARP bailout program, Neil Barofsky, has pointed out in repeated public appearances, “This [Libor-rigging] was a scheme to defraud. This is textbook securities fraud.” If

Geithner refused to report it, and in fact used the fraudulent figures, he is guilty of a coverup, or worse.

Will Geithner be held responsible for Libor-rigging, and other crimes he committed for Wall Street and London bankers under the Obama Administration? That will largely depend on the decisions taken by the political forces now coalescing around LPAC in favor of Glass-Steagall and a new credit system, in the weeks ahead.

House Members Confront Geithner

The Treasury Secretary’s appearance before the House Financial Services Committee opened with a bang, created by the shock effect of the announcement by former CitiGroup CEO Sanford Weill that he now thinks it’s necessary to reinstate Glass-Steagall banking separation. One of the first questions to Geithner, from Rep. Carolyn Maloney (D-N.Y.), addressed the Weill statement.

This is “absolutely huge,” she said. She then asked Geithner for “a detailed answer in writing on what does this mean to the financial crisis if investment banking and banking had been separated, what would that have meant for AIG, for Bear Stearns, for Lehman, for Wachovia, for all the big banks.”

Rep. Walter Jones (R-N.C.) followed up, stating that “the two worst votes I made in the 18 years I’ve been in Congress were, the Iraq war, which was very unnecessary, and the repeal of Glass-Steagall.” He then asked Geithner, in light of reported losses at JPMorgan, “Isn’t it time to have a discussion and debate about the reinstatement of Glass-Steagall?” Jones added that he had joined Rep. Marcy Kaptur in co-sponsoring H.R. 1489, which calls for reinstating Glass-Steagall, and called for a hearing in the committee on the measure.

Reps. Bill Huizenga (R-Mich.), Stephen Lynch (D-Mass.), and Steve Pearce (R-N.M.) also asked Geithner for his response to Weill’s call.

In answer to Jones, Geithner came out against reinstating Glass-Steagall, arguing that it had been considered during the deliberations on Dodd-Frank, which he



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Facing a fusillade of angry questions about his role in the criminal Libor-rigging scheme, from members of Congress, Treasury Secretary Geithner squirmed and offered evasive answers, but his crimes are catching up with him, and with his boss, President Obama.

described as “tough” legislation. He then appealed to the Congressmen to “give those reforms a chance to take effect and work.”

‘When Did You Report?’

Many Congressmen also confronted Geithner with his criminal complicity in the cover-up of the Libor fraud.

Committee chair Spencer Bachus (R-Ala.) asked Geithner, when did he report the Libor rate-fixing to the Treasury and to the Justice Department, and to whom? Geithner avoided answering the question in respect to the DoJ, and said that he had reported it to the President’s Working Group on the Financial Markets in 2008, when he was head of the New York Fed. When Bachus asked the question raised by Barofsky, on why Geithner used the Libor rate, which he knew was fraudulent, in the AIG and TALF (Term Asset-Backed Securities Loan Facility) cases, Geithner answered: “We chose Libor at that point, as did many others” (the “everyone was doing it” defense).

Rep. Jeb Hensarling (R-Tex.) followed up on this line of questioning by pointing out that Geithner’s “early response” to knowledge of the Libor rate-fixing “was to keep using it.” He took issue with Geithner’s

statement that “it was our best choice.” “How can a number you know was manipulated be the best choice?” Hensarling also forced Geithner to admit that he was not obligated to use the Libor rate.

Other Republicans followed suit. Rep. Scott Garret (N.J.) pointed out that Geithner had never once mentioned to the committee, in multiple appearances, that the Libor rate was fixed. Nor had he mentioned it during the entire debate over Dodd-Frank.

When Rep. Randy Neugebauer (Tex.) revealed that there are reports of e-mails about the fixing of the Libor rate dating back to the Fall of 2007, Geithner claimed that he only remembered hearing about it in 2008, but said that he is reviewing his earlier e-mails. Neugebauer stressed that what was involved was not merely a structural problem but fraud, and, referring to the comments by the former

special counsel to the Financial Crisis Inquiry Committee (Angelides Commission), asked Geithner, did he not have an obligation to make a criminal referral?

While a number of Democrats were soft on Geithner’s responsibility for Liborgate, Brad Miller (D-N.C.) zeroed in on the fact that the e-mails reveal not just an opportunity for manipulation of the rates, but a criminal act. He then repeated the question first posed by Bachus, which Geithner had not answered. “Did you report this to Justice?” Geithner initially tried to squirm out of answering by saying that he did not know what the New York Fed staff did. When Miller pressed him and asked specifically whether he, Timothy Geithner, had reported it to the Justice Department, Geithner had to answer: “No, I did not.”

Before the Senate

The Senate Banking Committee’s treatment of Geithner the next day, as of Fed chairman Ben Bernanke last week, was much more polite than the House Committee’s. And only one Senator brought up the Glass-Steagall bombshell dropped by Sanford Weill on July 25.

Sen. Richard Shelby (R-Ala.), the Ranking Member, after establishing that Geithner knew in May 2008, if

not before, that the rigging of Libor involved three U.S.-based banks, asked, “Did you follow up after notifying the Working Group [of bank regulatory agencies] and the Bank of England; did you notify the Attorney General of the United States, the Justice Department?” Geithner equivocated: “We are—the New York Fed, my colleagues back—my former colleagues are carefully looking through all the records of what the—who the—whom the New York Fed staff informed at that point.” Shelby cut in, “Did *you*, sir, as president of the Bank, did you personally inform...?” Geithner: “No, I—I did...”

Sen. David Vitter (R-La.) reprised many of the same questions and elicited the same non-answers. Vitter and Shelby challenged Geithner for using the Libor rate he knew was rigged, to set the interest rates for the TARP and other bailout programs. But neither cited the clear statements by Bank of England governor Mervyn King, Commodities Futures Trading Commission chair Gary Gensler, and others, that Geithner never raised an alarm about Libor-rigging with any of them. Nor did they demand to know why Geithner never mentioned a word about Libor-rigging in his many testimonies before Congressional committees since 2008.

Sen. Mark Warner (D-Va.), not a Glass-Steagall supporter in the past, raised it near the end of the hearing: “A very interesting comment by one of the architects of the collapse of Glass-Steagall, yesterday, to say, ‘Let’s put Glass-Steagall back, in case...’—you know, interesting—interesting transformation there.” Warner said that the banks’ stock market equity was trading way below book value in their oversize state, and maybe the market was saying size may not be an asset; he might have been interpreted as asking Geithner to comment on the case for Glass-Steagall.

But Geithner lied in response, “You know, Congress thought about this question long and hard in considering financial reform.”

In reality, the Obama Administration, in league with Rep. Barney Frank (D-Mass.), did everything their British controllers demanded, double-crossing Sen. Maria Cantwell (D-Wash.) and Sen. John McCain (R-Ariz.), whom they had promised at least a full Senate vote on their Glass-Steagall amendment, and instead prevented a debate on the measure. The British government, at that time, May 2010, had communicated to Washington that the re-adoption of Glass-Steagall would be considered an “aggressive act.”

Obama, Geithner, et al. thus moved to kill its reinstatement.

Will There Be Action?

Now, in the face of the European blowout, a significant faction of the British establishment has changed. Will that shift lead to Geithner (and Obama) being dumped?

The evidence of wrongdoing in the Libor case, of course, is still being accumulated, as reflected in the document requests by Representative Neugebauer. In his July 23 letter, Neugebauer homed in on the *regulatory* responsibility of the New York Fed. (Note that Geithner has testified that he has not functioned as a regulator—one statement that indeed seems to be true.) The letter to the New York Fed, under Geithner during the relevant period, states: “The documents you provided to the Subcommittee revealed that the NY Fed was made aware that certain financial institutions were ‘not posting honest LIBOR’ rates.... *What is less clear in your response is how the NY Fed dealt with admissions of market manipulation by Libor contributing banks. As you know, the role of government is to ensure that our markets are run with the highest standards of honesty, integrity, and transparency. Therefore, any admission of market manipulation—regardless of the degree—should be swiftly and vigorously investigated*” (emphasis added).

But there are sufficient other instances of malfeasance that testify to why Geithner and Obama must go. The time is overripe.



Rep. Walter Jones
(R-N.C.)

He asked Secretary Geithner at the hearing on July 25, “Isn’t it time to have a discussion and debate about the reinstatement of Glass-Steagall?” He has amplified his position in interviews published in [EIR](#). See [EIR](#), May 18, 2012 and [EIR](#), Oct. 14, 2011.