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By [ilene at Phil's Stock World](#)

Introduction

Timothy D. Naegele is the managing partner of [Timothy D. Naegele & Associates](#). He has an undergraduate degree in economics; and practices law in Washington D.C. and Los Angeles with his law firm that specializes in banking law, federal law, financing, Internet law, legislation and litigation. He has an extensive legislative and financial regulatory background, having served as counsel to the U.S. Senate Committee on Banking, Housing, and Urban Affairs, as chief of staff to U.S. Senator Edward W. Brooke, and as special consultant to the Federal Deposit Insurance Corporation and to the States of California and Maine. He has been involved in all phases of the practice of law with respect to financial institutions, including authoring the Anti-Tying Provision of the Bank Holding Company Act Amendments of 1970 and other important pieces of legislation. Mr. Naegele also served as a Captain in the U.S. Army, assigned to the Defense Intelligence Agency at The Pentagon, where he received the Joint Service Commendation Medal.

Today, Mr. Naegele continues practicing law, and finds time to share his thoughts on current events in popular journals. He is listed in Who's Who in America, Who's Who in American Law, and Who's Who in Finance and Business. He has written extensively over the years. See, e.g., [naegele.com/whats_new.html#articles](#).

Interview

Question: You worked on Capitol Hill for three and a half years—first as an attorney with the U.S. Senate Banking Committee, and then as chief of staff to former Senator Edward W. Brooke of Massachusetts, the first African-American senator since Reconstruction following our Civil War, with Barack Obama being the third[1]. And then you worked as a “K Street” lawyer after that, for a total of 19 years. What was it like?

Answer: It was fabulous. I came to Washington near the end of the Vietnam War because I had an Army commission, and I was assigned to the U.S. Army Element of the Defense Intelligence Agency at the Pentagon for two years, which was a wonderful experience.

Question: What did you learn there?

Answer: That the Pentagon and our military are probably the most efficient and effective organs of American government. People might laugh at that, but it is true.

Question: After that, you worked as an attorney with the U.S. Senate Banking Committee?

Answer: Yes. It was a heady experience because I spent time with John Sparkman of Alabama, who was chairman of the committee and had been Adlai Stevenson's running mate for vice president; with Ed Muskie of Maine who ran for president; and with Fritz Mondale of Minnesota—my parents' home state—who served as vice president and ran against Ronald Reagan for the presidency.

Question: What did you learn about politics?

Answer: I had never taken any political science classes in school and knew nothing about the nitty-gritty of national politics. So I had a rude awakening. It was “Politics 101.” What surprised me the most were senators and congressmen preying on young women. Having grown up in the shadow of Hollywood, I should not have been naïve about that subject, but I was.

Question: Did you notice changes in Washington D.C. between time you arrived and now?

Answer: Yes, there was more bipartisanship before. Now things are more poisoned. For example, I wrote three major pieces of legislation that were enacted into law: the Anti-Tying Provision of the Bank Holding Company Act; the “Brooke Amendment” relating to public housing; and the national “Housing Allowance” that morphed into the Section 8 housing program, which has helped millions of Americans. None of these laws would have been enacted except for bipartisanship. My friends on Capitol Hill, in both the Senate and House—Democrats and Republicans—helped me and I helped them. Together we were responsible for lots of important laws being passed. Today the “game of Gotcha” pervades Washington, and people try to destroy each other. Extreme partisanship is not in the best interests of this great nation, which is why I am an Independent, the ranks of which are growing dramatically.

Question: Do you miss anything about life in D.C. on a full-time basis?

Answer: Having an opportunity to influence national policies, feeling that I was making a difference, and working on important legislation such as the Brooke Amendment and the Anti-Tying Provision, which is the only federal

antitrust law on the books today that deals with banks and other financial institutions.

Question: Having written the only federal anti-trust law dealing with banks, do you see any potential violations?

Answer: Yes, I am pleased you raised that question. I believe they are occurring all the time. Unfortunately, the Justice Department has failed to enforce the law since it was enacted in 1970, almost 40 years ago. Also, its Antitrust Division tried to gut the law when the Fed was considering interpretations of it, which fortunately the Fed rejected. It is still enforceable by private litigants though, who can recover treble damages and attorney fees if they win. I have written about these issues, and made recommendations to the Fed on the subject.[2]

Question: What do you miss the least about working in D.C.?

Answer: The weather and the corruption. People in power preying on young women staffers like David Letterman has admitted to doing, which is shades of what Roman Polanski did too—with the lives of the women involved never being the same afterward. Like other world capitals and seats of power, power corrupts and absolute power corrupts absolutely, not unlike Hollywood—in the shadow of which you and I grew up.

Question: Did you see a lot of that?

Answer: Yes, which is why I vowed that neither of my kids would ever work on the Hill.

Question: When you say the women's lives are hurt by the powerful men, do you think of women as victims in the situation, whereas men are guiltier?

Answer: I viewed some of the women much like "groupies" at a rock concert, or starlets trying to get into the movies in LA. Are they victims? I believe they are preyed upon and naive, but many seem quite willing to throw themselves at powerful men. They arrive in Washington with fantasies—like they do in Hollywood—which get crushed over time. Some women are predators, but mostly it is men. When I was on the Hill, I had a very sexy gal in her 20s tell me that she was going to bed a certain senator, and she did.

Question: Do you want to name names or are you saving it for the book?

Answer: Saving it for the book.

Question: How do you feel about Obama's handling of the credit crisis?

Answer: With due respect for President Obama, I do not believe he has done much that is positive economically, except spin rhetoric that may come back to haunt him. President Obama effectively took over General Motors and Chrysler, and fired GM's CEO, yet the jury is still out whether either company will survive. TARP—the Troubled Asset Relief Program—monies were forced on the banks, even when some did not want it, as Morgan Stanley's Chairman John Mack said to Bloomberg contributor Judy Woodruff recently. Monies from the so-called "Stimulus Package" have gone to Obama's cronies such as ACORN, which is a travesty. I watched an interview with the president recently, in which he said that he was not aware that ACORN was getting a "whole lot" of government monies. Having worked extensively with ACORN in Illinois, and given the fact that ACORN has been front and center in the news for a long time now, I found the president's words very difficult to believe. Also, the federal stimulus monies have been wasted in other ways, or have not been spent at all. In short, I am not convinced that Team Obama has done anything positive economically, other than continuing to do what the Bush Administration had set in place already.

Question: What would have happened if the Bush and Obama administrations did nothing? Would the financial system have collapsed? If so, what would that mean?

Answer: With respect to the collapse of the financial system globally, we may be witnessing a relatively brief respite, but we are not out of the woods yet. The banks are loaded with lots of "toxic assets" that are underwater (e.g., mortgages, with respect to which the amount of debt exceeds the value of the assets, if they were marked-to-market).

If any credit is to be given, it must be given to the Federal Reserve—which after all created the problems under former Chairman Alan Greenspan—and to other central banks, and to George W. Bush and former Treasury Secretary Henry Paulson too.

The Stimulus Package was a boondoggle, and the bailout monies have kept companies alive that the free market might have eliminated. Obama's policies have distorted the markets.

Question: Do you believe Obama is purposefully handling the credit crisis to benefit of the too-big-to-fail banks, or do you believe he doesn't understand the consequences of his actions – e.g. helping Wall Street at the expense of the taxpayers who are paying the bills?

Answer: I do not believe President Obama understands what he is doing. Former Fed Chairman Paul Volcker was probably the best of Obama's economic advisors, but he seems to have been sidelined and shunted aside by Team Obama. He was on the Charlie Rose Show recently, and he seemed discouraged. Reading between the lines, Volcker seems to have thrown in the towel, and I am sorry about that because I have always admired and respected him greatly. In fact, if he had been Fed Chairman instead of Greenspan, I do not believe the credit crisis or the economic meltdown would have happened. Greenspan is the real culprit, who has admitted that he never saw the housing crisis coming. In a Wall Street Journal article earlier this year, Vernon L. Smith, Nobel Laureate in

Economics, and Steven Gjerstad wrote: "The events of the past 10 years have an eerie similarity to the period leading up to the Great Depression." I agree. Decades from now, economic historians may look back and characterize this period as the "Great Depression II."

Question: What about the repeal of [The Glass-Steagall Act of 1933](#) in 1999?

Answer: I believe it was a mistake, just like I believe the entire notion of "deregulation" was a mistake, which Greenspan championed. The chickens have come home to roost already, with much more to come.

Question: Do you believe the collapse of the banking system should have been stopped?

Answer: Yes... to the extent that it is humanly possible to do that. If the Fed and the Bush Administration had not taken steps to shore up the banking system, it might have collapsed. The ramifications of a collapse of the global banking system would be truly mind-boggling.

Are we merely witnessing a relatively brief respite on the way to the inevitable? History will answer that question, perhaps decades from now. The economic tsunami is still rolling worldwide. Booms and busts have occurred for hundreds if not thousands of years, and I do not believe mankind can affect such economic cycles except at the margins.

Question: It sounds like you approve of Bush's actions but not so much Obama's – do you see a change from one administration to the next.

Answer: Yes, I do not believe George W. Bush would have taken over GM or Chrysler. I do not believe the ACORNs of this world would have gotten a cent, much less been included in a so-called "Stimulus Package" that hasn't stimulated much except the Democrats' constituent groups. Bush would not be bowing to Putin or putting our friends in Eastern Europe at risk; and the list goes on and on.

Question: The stock market is up significantly since Obama took office. Would you buy stocks now?

Answer: No. I believe the stock market is a "fool's paradise," and I cannot explain the stock market rise—except for the old adage that what goes up comes down. I bought my first share of stock when I was about eight years old; and the Senate Banking Committee studied the stock market when I worked there. I drew two conclusions, which I believe to this day: (1) The only people who make money in the stock market and know the reasons why are (a) those who trade on inside information, which of course is illegal, and (b) those who are "technical traders" (e.g., with seats on exchanges, or who trade on "up-ticks"); and (2) average Americans should not be in the stock market at all, because it is gambling—much like going to Las Vegas or betting on the ponies at the nearest race track.

Question: Do you think the housing market is bottoming? How about commercial real estate or real estate in general?

Answer: We are a long way from the bottom, despite the fact that most economists believe the bottom has been reached or is close to being reached. These are the same "lemmings" that failed to predict the housing crisis and the economic tsunami. I remember the late Sir John Templeton of the Templeton Funds predicting more than three years ago that U.S. housing prices would fall by half. In some markets, we are close to that; however, more declines will happen in the future before the bottom is reached.

I grew up in the real estate business because my father had two real estate offices in the Encino and Brentwood suburbs of Los Angeles, before the advent of mega-firms. I lived through the ups and downs of the housing market and the economy. I remember vividly as a kid when he did not make a single penny for one entire year, because things were dead in both the income (e.g., apartment buildings) and residential (i.e., houses) sides of his business. It was very sobering and scary. Thus, when I saw the "housing bubble" building this time, I knew that it would burst at some point, and it has.

The economic history of the U.S. and the world is filled with booms and busts; and those who fail to heed this history will suffer the consequences. What goes up comes down; and the higher it goes, the greater the thud when it comes crashing down. The consequences of the housing bubble that Alan Greenspan unleashed have been greater than anything I've witnessed in my lifetime. Some economists are capable of observing and commenting about what has happened in the past. Almost none of them are capable of predicting the future. Their success rate in that regard makes the predictions of weathermen look brilliant by comparison.

Thus far, the human suffering has been unfathomable, yet we have a long way to go. John Mack talked about the U.S. being in the doldrums for a "generation." In my article, "[Euphoria or the Obama Depression?](#)" ([McClatchy](#)[3]), I predicted the economic tsunami may not run its course until about 2017-2019, and its effects will be devastating worldwide. Whether it ends in 2017-2019, or lasts a generation, remains to be seen. However, it must be remembered that the Great Depression ended with the advent of World War II, not because of what government did. The same thing may be true this time. I do not believe governments around the world can do much positively to affect economic cycles. Indeed, politicians like President Obama who think otherwise know little or nothing about economic history. "Utopia" will not happen on their watches—which may be short-lived anyway.

Question: Do you believe in the "green shoots" that the media is pushing, and that the signs of economic recovery

are real?

Answer: No. Credit markets are still frozen, though not as badly as before. Banks are not lending except to prime customers. Consumers are changing their ways from over-spending to saving, and the problems in real estate are not close to being over. We cannot have significant economic growth under these conditions. I believe all of the discussions about “green shoots” emerging are premature and perhaps irresponsible. During the Great Depression, there were signs of things looking up too, but it took World War II for us to finally emerge from it.

Question: Do you think Obama realizes this and his administration is lying to us?

Answer: My experiences have been that politicians always lie. There is no question too that the president is naïve and arrogant, which is an unhealthy combination. The “bloom” seems to have gone off President Obama’s “rose” already, with much worse yet to come. It has been said: “Jimmy Carter may be heading to #2 on the [list of] all-time worst presidents in American history, thanks to ‘O.’”

Question: I thought Bush had taken the top spot?

Answer: Despite the “politically-correct” view of George W. Bush and his presidency these days, my guess is that history will be kind to him.

While I continue to like Jimmy Carter personally and admire many of his accomplishments, I do not believe his presidency was successful. Regrettably, President Obama may be more naïve and narcissistic than Carter. There are signs already that his presidency is coming unraveled, fueled in part because lots of Americans had unrealistically high expectations for him, and because of his arrogance and core beliefs. ObamaCare seems to be falling apart. Obama was handed a humiliating blow when Chicago’s Olympic bid was rejected in the first round, despite heavy lobbying by Obama and the First Lady. Afghanistan may be his Vietnam. Bowing to “dictator-for-life” Putin of Russia with respect to the missile shield for Eastern Europe and other issues simply underscore Obama’s weakness.

As I wrote in my McClatchy article, “Franklin D. Roosevelt’s New Deal programs did not end the Great Depression; the onset of World War II did.” Similarly, President Obama is incapable of solving our economic problems now, notwithstanding his seemingly-endless verbiage on the subject. The same is true with respect to other vital issues. If you read the president’s book, “Dreams from My Father,” you may conclude—as I did—that he has been successful with writing, speaking, campaigning, politics and getting elected (i.e., being a professional politician), but not much else. Indeed, until I read his book twice after the election, I did not realize how radical his core beliefs are. Having read it, I have zero doubts why he associated with and befriended Weather Underground co-founder Bill Ayers and Rev. Jeremiah A. Wright Jr. Their views seem consistent with his.

Question: Which are?

Answer: Radical socialism at the very least. Also, reading his book, one comes away with the impression of a racist—which is why I have urged so many people to read the book and form their own opinions. Aside from the book itself, his knee-jerk reaction to the arrest of the Harvard professor by the Cambridge, Massachusetts’ police may be an example of that.

Question: Investment-wise, I know you’re not buying stocks and do not feel the real estate markets have seen their lows, but are there any investments you would recommend, rather than holding cash, the value of which has been steadily deteriorating?

Answer: Some people recommend gold. I still recommend holding cash, and sitting on the sidelines and waiting until the bottom is reached (or close to it), and then snapping up the bargains. However, do not expect the recent boom years again.

Question: In your article “[Viewpoint: Greenspan’s Fingerprints All Over Enduring Mess](#)” (American Banker[4]), you described Alan Greenspan as being an “emperor with no clothes,” referring to Hans Christian Andersen’s fable. Also, you cited Giulio Tremonti, Italy’s Minister of Economy and Finance, who said: “Greenspan was considered a master. Now we must ask ourselves whether he is not, after [Osama] bin Laden, the man who hurt America the most.” Do you think he is?

Answer: Yes, even more so now. People are suffering in this country and around the world, and Greenspan is the person who caused all of this. In another country and in a different time, someone who did this would have been killed. I am surprised that Greenspan has any reputation at all, given the enormous human suffering that he is responsible for.

Question: In that article, you mentioned the bailout legislation that was rushed to enactment last year, and of course the Stimulus Package was rushed through Congress this year. You added: “Now that the floodgates are open wide, other bailout measures may follow in the weeks and months to come, none of which is apt to solve the basic economic problems. Also, it appears that any lobbyist who worked on bailout legislation of one sort or another has obtained something for his or her clients.” Can you elaborate?

Answer: Yes. When I left Capitol Hill, I became a partner in a Washington law firm. After that, I lobbied for lots of banks as well as one of the largest insurance companies in the world, and many other clients. To be frank, when I

began lobbying, I felt like a “whore” because I was going back and asking for favors from old friends of mine on Capitol Hill. In fact, I hated it so much that when I founded my own law firm, other lawyers who worked for me did most of the lobbying.

What Americans do not realize is that the lobbyists run Washington. The Senate and House staffs are not large enough to comprehend, much less deal with all of the intricacies of national issues and problems, so lobbyists fill that void. The same is true at the White House. Lobbyists give and receive benefits galore. I remember one chairman of a major congressional committee being supplied with women on a regular basis by a lobbyist who worked for one of the industry trade associations that appeared before his committee. That is not atypical. I thought it was sleazy and sick, and still do.

You can imagine how many Democrat lobbyists and their clients that have benefited from the bailout legislation and the Stimulus Package. And now the Democrats are talking about a second Stimulus Package. Apparently the interest groups that support them haven't eaten enough at the public trough, and want a bigger meal at the taxpayers' expense, which would represent another field day for lobbyists too!

Question: Is this all perfectly legal?

Answer: There are laws in place, but seemingly-intelligent politicians violate those laws on a regular basis. They apparently feel that they are “Teflon-coated” until they find out otherwise.

Question: In your American Banker article, you concluded: “Years from now, economic historians may conclude that the ‘rescue’ measures were too little, too late; the world's central bankers were overwhelmed, and Depression-era ‘safety nets’ did not work; and global market forces ultimately determined the depth and duration of the economic meltdown, not the politicians anywhere. One thing is certain enough: there are lots of rude awakenings yet to come, both in the U.S. and abroad. Greenspan unleashed a firestorm, and it will take years to contain it.” Do you still believe that?

Answer: Yes. I do not believe that government works, generally; and it is distorting the markets now. Government is very inefficient and ineffective, and often does more harm than good. Having worked in and with the federal government for twenty-one years non-stop, and with state governments too, I have only seen one example of government working effectively and that is in the case of the Pentagon and our military, as I mentioned. Much of the rest of government is a vast wasteland, I am sorry to say, even though there are good people working at all levels of government. Americans are not stupid, and this is why their opinions of Congress and government generally are so low, not to mention their views about politicians as a lot.

Question: Is there something Obama could have done differently that would ease the ten years or more you see of continued economic suffering?

Answer: No. We are dealing with market forces and economic cycles; and throughout history, politicians have not been able to affect economic cycles in a positive way, and Obama is no exception. My guess is that economic historians will say decades from now that Team Obama did not help and, in fact, made things worse. I think Obama's naïveté on a broad range of issues, and arrogance, will bring about his downfall. There are a whole host of issues that will contribute to that result, including national security matters and the like.

Question: With respect to national security matters, you wrote in your McClatchy article: “International terrorism and other very real national security concerns still loom, which might produce flashpoints at any time. We have enemies who seek to destroy us—a fact that is sometimes forgotten as 9/11 recedes in our memories. While it might be attractive for the president and the Democrats to take a ‘meat ax’ to the Defense Department, it would be foolhardy to gut our military precisely when it has been performing magnificently and its continued strength is needed most. America's economic and military strength go hand in hand. Both are indispensable ingredients of our great nation's future strength.” Do you still believe that as well?

Answer: Yes, of course—more so than ever. The only thing that our adversaries understand and respect is strength, not rhetoric. Missile defense is one area that cannot be cut or diminished at all. Among other things, there are risks of a deadly EMP Attack[5], which would be horrendous and would destroy this great country.

Question: In the McClatchy article, you wrote: “While U.S. politicians and their counterparts in other countries have been trying to convince their electorates that they have the answers, they are simply holding out false hopes that real solutions are at hand; and Americans are apt to realize this as the elections of 2010 and 2012 approach. . . . America and other nations are in uncharted waters; and their politicians may face backlashes from disillusioned and angry constituents that are unprecedented in modern times.” Do you see this occurring now?

Answer: Yes. Americans and their counterparts globally are hurting economically, and they are sick and tired of politicians' rhetoric. The anger is building in this country and abroad, which may be reflected in our upcoming elections and those of 2012, and in the elections taking place in other countries.

Question: Do you think California is on the verge of becoming the first failed state in the nation?

Answer: California is a microcosm of the nation, and a trendsetter. What has been happening in California is ominous, but consistent with what I wrote about in my American Banker and McClatchy articles. Many Americans

as well as people in other countries are getting hurt badly, and the suffering may continue for almost a decade. Expectations will be changed as to what is possible in the U.S. and abroad. It is a very sobering time for most of us. Perhaps even more sobering is the following quote from former Mendota, California mayor Joseph Riofrio: "It is so bad, but it has now got to the point where we are getting used to it being like this." Imagine if vast numbers of Americans lose their dreams and hope. Intuitively, I believe in America and California, and I am confident about their future, whatever it holds.

Question: Why are you confident? Most of what we've talked about has not made me feel confident at all.

Answer: Again, I believe in this country, and I believe in Americans of all colors, faiths and backgrounds. The United States is the only true melting pot in the world, with its populace representing a United Nations of the world's peoples. Yes, we fight and we even discriminate, but when times are tough—like after 9/11—we come together as one nation, which makes this country so great and special. Also, all of us or our ancestors came here from somewhere else. Even the American Indians are descended from those who crossed the Bering Strait—or the "Bering land bridge"—according to anthropologists.

Question: When's the book coming out?

Answer: After I finish it and get a publisher—not necessarily in that order.

[1] Carol Moseley Braun, also from Illinois, was the second. See http://en.wikipedia.org/wiki/Carol_Moseley_Braun

[2] See www.naegele.com/whats_new.html#articles ("[The Bank Holding Company Act's Anti-Tying Provision: 35 Years Later](#)" (*Banking Law Journal*); "[Fed Plan Would Simply Gut Enforcement of Ban on Tying](#)" (*American Banker*)); see also [www.federalreserve.gov/SECRS/2005/March/...](http://www.federalreserve.gov/SECRS/2005/March/)

[3] See www.realclearpolitics.com/news/tms/polit...

[4] See www.americanbanker.com/issues/173_212/-3...

[5] See, e.g., online.wsj.com/article/0,,SB109226576685... AND <http://online.wsj.com/article/SB121564702233840875.html?mod=d>

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