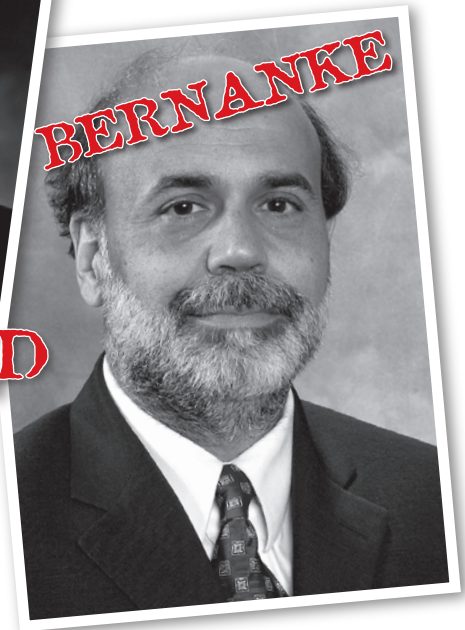
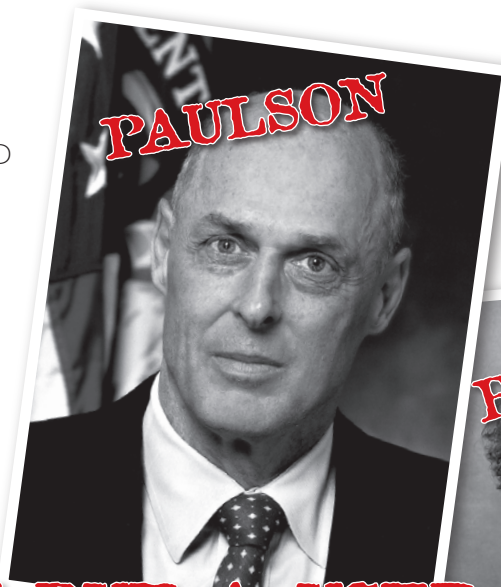


Those who do not learn from history are doomed to repeat it. —George Santayana

THE D.C. SALES FORCE IS OUT AGAIN. HAVING DOFFED THEIR PLAID SPORTS COATS, BERNANKE AND PAULSON ARE WALKING THE LOT, PROMISING ENDLESS BLUE SKY FUTURES. "TRUST US," THEY TELL YOU.



SHOULD YOU BUY A USED EQUITY RECOMMENDED BY THESE GUYS?

by Mike Keliher

May 1, Bloomberg's headline screamed: "Paulson Says Credit Crisis 'Closer to the End,' Joining Wall Street Bosses." The worst of the credit issues have passed, claims the Treasury Secretary. He is "a strong dollar man; [the government pursuing] a strong dollar policy."

On May 13, Fed Head Bernanke purred that credit markets "were improved" and that the Fed "stood ready [to bolster markets] if further warranted by financial developments."

If those remarks sound vaguely familiar, perhaps it is because of some of the following ghosts of promises past:

- Bernanke tells Congress on March 28, 2007, that subprime defaults were "likely to be contained"
- Paulson says June 20, 2007, that subprime fallout "will not affect the economy overall"
- In August 2007, the Fed announces it "stands ready" to bolster markets if conditions warrant and "is watching markets carefully"
- Since his appointment in July 2006, Paulson never wavers from his claim that he is pursuing "a strong dollar"
- On October 4, 2007, markets jump when Bear Stearns President Alan Schwartz proclaims that "the availability of credit has increased ... things are getting better ... [and] liquidity has improved"
- On March 11, 2008, three days before Bear Stearns is declared by Bernanke "to be in essence, bankrupt," SEC Head Cox, the nation's chief market regulator, assures Americans that the SEC is "monitoring capital levels [at Bear Stearns] on a constant basis ... [and that the SEC has] a good deal of comfort that the capital cushions [are firm] at the moment"

As you all know, subprime defaults were not contained; the economy continues to collapse; the Fed is/has been standing by and ready to act for nearly a year; and the credit markets still don't care that: The dollar has depreciated 17 percent in the last 12 months and 31 percent since late November 2005, and taxpayer money was used to bail out the Bear Stearns gamblers (a former Fed director called the Bear rescue the "worst policy decision in a generation").

Meanwhile, in the real world, the cost to fill up your car approaches \$100 as the cost to fill up your grocery cart roars past \$200. Credit card debt is soaring as borrowers use their last money source to pay daily bills, housing prices continue to roll down hill and Wall Street bets your future that Bernanke and Paulson will finally get something right. Or, is Wall Street just betting that they can continue to dupe you into lining their pockets with short term rewards as you are left holding the long term risk bag (think structure of mortgage market a few years ago)?

Still want New York and D.C. to prod you back into the rest of the herd? Can you trust them this time that pre-owned Mercedes awaits you at the corner of Wall Street and Broad? Or do you think maybe, just maybe, it is another fleet of high mileage Yugos being dumped on the citizens on Main Street? If you are an "I trust you" buyer/stay the courser here, you should probably go ahead and add the 24-hour roadside service plan to your purchase! +

The author appreciates the editor's indulgence in allowing this column to be completed well after its deadline and for featuring his beloved companion and co-worker, Belle, in another section of this publication. Further financial writings by the author can be found at www.kelcap.com.