

The Financial Crisis

My friends know me as a paranoiac who prefers writing about conspiracies behind warfare and terror acts, occasionally also medical subjects. With this subject, I am obviously 'in the wrong film,' it seems. But hold on, I am going to bend this into the usual template. Besides, the current crisis, regardless if it is an attempt to steal money on an unprecedented scale or not, may have a great influence on the World's population (thereby also upon you and me) larger than that of the neo-cons previously induced misery.

Throughout a year, the financial World was marred by what was then only termed immobile crisis. House owners had borrowed money for more than the value of the house, which was given as security. This mismatch was deteriorated by the decreasing prices on the housing market, again at least partially caused by the social deterioration of the Bush regime in Washington. In California, e.g., the house prices decreased 38% in one year [1]. This borrowing effect was augmented by a credit card malpractice: completely without security, customers were allowed a large credit on their card. That may be bad news for the American banks, but how did it come to topple World economy?

Speculation on the bourse includes not only shares in firms but also speculation in the development of the courses through hedge foundations. This speculative business was stopped in mid-November, but only for one month. This is a topic where my lacking competence stops my understanding. Let us jump to the consequences.

Iceland's Experience

Iceland is a country which was hit particularly hard (and early) by the crisis. On Oct. 15, Welt [no ref.] On Nov. 23, it was reported that it was 'saved' by a credit of 10 billion \$ [2], which corresponds to 30,000 \$ for each inhabitant, small and big. Good to know what you are working for, but some of the new slaves, this was reason for a small rebellion directed against their parliament and national bank [3]. The people did not achieve anything. Perhaps it should be a warning, what may await us non-Icelanders? At least, illustrates why this is not something to be trusted entirely upon bankers and politicians. The ones to pay are the ones to be asked.



The Anti Robin Hood Measure

Arguing that this was the only way to prevent a recession, the American government decided to invest 1 trillion \$ – later reduced to 700 billion \$. Do you think this is the result of an exact calculation? "It's not based on any particular data point," a Treasury spokeswoman told Forbes.com. "We just wanted to choose a really large number" [4]. Besides, if it does not suffice, the law supplies: "The Secretary's authority to purchase mortgage-related assets under this Act shall be limited to \$700,000,000,000 outstanding at any one time" [5]. Mike Rivero informed: "This is a disaster for Americans. The immediate cost is ~\$3,200.00 for every man, woman, and child living in the United States, but since large segments of the population do not pay taxes, the actual burden on taxpayers will be far higher" [6]. A more recent estimation assumes that rescue of the

¹ <http://www.latimes.com/business/la-fi-sfhomes19-2008dec19,0,1933808.story>

² <http://www.heise.de/tp/blogs/8/119297>

³ <http://www.bazonline.ch/ausland/europa/Zornige-Islaender-laufen-Sturm-gegen-die-Nationalbank/story/2337052>

⁴ <http://latimesblogs.latimes.com/washington/2008/09/bailout-plan.html>

⁵ <http://georgewashington2.blogspot.com/2008/09/bailout-is-not-limited-to-700-billion.html>

⁶ <http://whatreallyhappened.com/WRHARTICLES/sayno.php>

financial system assumes more than seven times that amount. This is nine times the cost of the war in Iraq and more than half the annual gross domestic product [7].

Also other nations, e.g. EU (€ 500 billion [8]) and even China (\$ 586 billion [9]) are pouring immense sums into the black hole created at the bourses, which react indecisive to the aid. How is the money use? Certain are that some banks and investment or insurance companies have been nationalized. Certain is also that one investment firm, 'Lehman Brothers,' was left to collapse [10]. It was then decided to come to the aid of the unfortunate investors, leading to the comment that "*Profit is private and individual. Loss is public and social*" [11].



Wall Street's five biggest firms paid >\$3 billion in the last 5 years to their top executives, while they presided over the packaging and sale of loans that helped bring down the investment-banking system [12]. A tremendous abuse of the bail-out can also be found: Citigroup received in the end of November a credit of up to 300 billion \$ [13]. A week later, it went shopping with the money and bought a Spanish firm [14]. Also the Bank of America did similar. To prevent more

scandals of this type, The Federal Reserve mid-December bluntly refused a request by a major US financial news service to disclose the recipients of more than \$2 trillion of emergency loans, using the bizarre argument that they did so to protect 'trade secrets.' Several banks are planning to pay billions of \$ in year-end bonuses from the bailout funds they received [15]. Hedge funds will be allowed to borrow from the Federal Reserve for the first time under a landmark \$200bn programme intended to support consumer credit [16]. And how is the bail-out used? Any bank would demand to know before handing you out a loan: Where's the money going? But after receiving billions in aid from U.S. taxpayers, the nation's largest banks say they can't track exactly how they're spending the money or they simply refuse to discuss it [17].

The winners: Many banks were sold to better situated competitors, leaving three giant 'super banks' with an unprecedented concentration of market power: Bank of America, JPMorgan Chase and Wells Fargo [18] – and of course the federal reserve along with the other national banks worldwide. That demands an explanation (a longer explanation is given in the video 'How much "MONEY" exists on Earth?' [19]): the trick is that there is no real money in the system, no goods that they provide, only debts with compounded interest - chargeable to the 'dumb goyim' US taxpayers [20]. If necessary, money can be printed, but the money you owe to your bank is written on other papers.

Alternatives to bail-out?

The uncontrolled reaction to the system crisis of capitalism by its most devoted servants has met uncertainty and resistance. The "**what if**" can be seen already, as described by

⁷ <http://www.bazonline.ch/wirtschaft/unternehmen-und-konjunktur/Rettung-des-Finanzsystems-kostet-Washington-neunmal-so-viel-wie-der-Irakkrieg/story/29616975>

⁸ <http://www.heise.de/tp/r4/artikel/29/29097/1.html>

⁹ <http://www.msnbc.msn.com/id/27624897/>

¹⁰ <http://www.bazonline.ch/wirtschaft/unternehmen-und-konjunktur/Notverkauf-von-Merrill-Lynch-Lehman-Brothers-am-Ende/story/12545536>

¹¹ <http://georgewashington2.blogspot.com/2008/09/fascist-economics-state-pays-for.html>

¹² http://www.huffingtonpost.com/2008/09/27/top-wall-street-executive_n_129874.html

¹³ <http://www.welt.de/wirtschaft/article2771504/US-Regierung-buergt-fuer-Citigroup-mit-300-Milliarden.html>

¹⁴ <http://www.heise.de/tp/blogs/8/119720>

¹⁵ http://blogs.moneycentral.msn.com/topstocks/archive/tags/Goldman+Sachs/default.aspx?Sort=most_comments&PageIndex=1&SortOrder=Descending

¹⁶ http://www.ft.com/cms/s/0/989db158-ce30-11dd-8b30-000077b07658.html?ncklick_check=1

¹⁷ http://news.yahoo.com/s/ap/20081222/ap_on_bi_ge/meltdown_secrets

¹⁸ <http://www.msnbc.msn.com/id/27441147/>

¹⁹ <http://video.google.com/videoplay?docid=-9050474362583451279&hl=en>

²⁰ <http://www.realjewnews.com/?p=288>

the shameless abuse (let us hope this is only a minor phenomenon). The governments are called for reducing taxes (to the benefit of the rich who have already profited from the Bush regime). This is only possible with a combination of further social de... and increasing state-loans. Not surprising, only 7% of U.S. voters back bailouts [²¹].

The "what if not" is thereby not easy to foresee. More banks and other firms will go broke, increased unemployment will result and recession prevail. Since a recession is anyhow going to occur, it is only a question if this can be ameliorated.

An alternative may be to use the money so generously granted not for bankers exactly for business and employment. The previous use of the bail-out had no convincing effect on the bourses. Also the reduction of various central bank's interest of close to zero (when will we be rewarded for borrowing money?) shows no effect but high costs.

The Madoff fraud

On December 11, Bernard Madoff was arrested on a securities fraud charge, accused of running a fraudulent investment business that lost at least \$50 billion. The culprit is a Jewish Zionist and a former NASDAQ stock market chairman [²²]. His enormous success (and the corresponding enormous loss, the biggest fraud in history) was based on the promise of 10-13% interest rates, which was paid out from the investments of other clients. Mr. Madoff was discharged to nightly house arrest on a bail of 10 million \$ (0.02% of the assumed cheated volume). Only after nine days was the house arrest extended to 24 hours a day.



The fraud could have been averted if the Securities and Exchange Commission (SEC) had acted on numerous warnings about Madoff's financial impropriety ten years ago [²³]. Indeed, numerous investors and banks across Wall Street refused to deal with Madoff for several years before his ultimate arrest on fraud charges, amid widespread rumours of suspect activity at his broking and fund management business [²⁴]. But then it was reported that Madoff and his clients were the largest bank account holders listed on a computer disk leaked by a Swiss bank worker regarding US persons with hidden Swiss bank accounts [²⁵]; and individual investors who lost money may be able to recover some of their money by seeking U.S. tax refunds (the US government's financial fraud protection scheme) [²⁶].

Conclusion

I dare not make any recommendations – this is a dangerous field for experiments. However, also the unprecedented bail-out must be considered an experiment, and not a very promising one. Could it be a tremendous attack on economy, carried out by the central banks (which are generally private institutions), earning money lending the phoney bail-out and receiving some of it again by the rather incidental investments? If so, my fellow slaves, we have been conquered by sombre forces. This time, a war was not even necessary (or may follow soon).

December 21, 2008
John Schou

Addition 2009

It is really hard stuff for a retired physician to understand, and as the former American Federal Reserve chief, Allan Greenspan, the single person most responsible for the crisis, claimed, the matter is too complex even for him, so why try?

²¹ <http://www.bizjournals.com/phoenix/stories/2008/09/15/daily63.html>

²² <http://finance.yahoo.com/news/ExNasdaq-chair-arrested-on-apf-13813639.html>

²³ http://business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article5356348.ece

²⁴ <http://www.independent.co.uk/news/business/news/wall-street-insiders-had-shunned-madoff-for-years-1203850.html>

²⁵ <http://www.rense.com/general84/mado.htm>

²⁶ http://taxprof.typepad.com/taxprof_blog/2008/12/tax-law-to-provide-50b-bailout-to-madoffs-victimes.html

This crisis is as important as any major conflict (and perhaps inviting to one), that it is sort of an obligation to try to understand some of its background. To some extent, it is indeed also possible. Hold on, we are about to uncover the biggest economical crime in history, but the damage done seems impossible to cover. The American dollar will turn worthless and it is time to disintegrate other currencies to prevent their additional collapse.

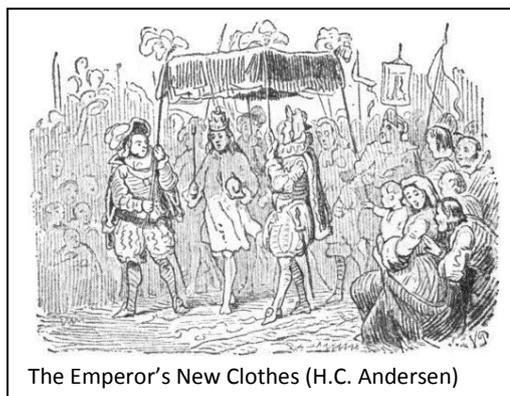
The **Glass-Steagal Act** was an American law, introduced in 1930 in order to prevent monopoly in the banking world. With its removal in 1999 (during Bill Clinton's presidency), it was made possible for banks to merge and, worse, leave their traditional banking trade. That was abused to create a new business background, the **securization**: in order to minimize the effect of unpaid loans, these were bundled in huge packages. That had, however, the effect of making the widespread fraud even more difficult to disclose.

In USA, not only houses but virtually anything could be used as security for credits. The interest rate is usually variable, that is: paid interest may be very low, but the rest is added to the debt. The agent who arranges such a loan is given a certain bonus, independent of the status of the creditor. A large part of these loans have been paid out to clients with less security, who have given incorrect information of income and values possessed (**NINA** = No Income, No Assets), to which comes the effect of overvalued houses. These are the so-called **subprime assets**, as opposed to the primary assets. The sharks gaining a signature under these contracts (normally short lending and variable interests) received the same bonus as for the well-secured assets. This was just some of the stimuli for the financial market in the United States going wild. Globalisation then made the crisis – according to the first part of its name – even global. Money flowed in from abroad to a large extent.

The bundling of thousands of loans in packages should reduce the risk, associated with the failure of 'just a few of them' never be paid. As the bubble started to collapse, however, prices for housing descended, leading to an accelerated amount of foreclosures (forced sale), again further reducing prices of houses and illustrating their lacking security for bank loans.

In the meantime, the bank had probably already sold the bundle, which was considered a valued paper in itself. Its credibility had already been evaluated by a kind of insurance firm. As the bubble erupted, it turned out that these firms only gave *recommendations*, nothing they could be held liable for.

This is what I so far understood (or failed to understand) about the current financial crisis. The wisdom behind the **bail-out**, the huge official investment to large banks, is difficult to grasp. Perhaps it was necessary to save the system, but why are the ones, who created the crisis, rewarded while the victims may be innocent? The abuse of the bail-out is, as described above, heavy and still it is kept secret, how many billions are presented to Goldman Sachs, Merrill Lynch, J. P. Morgan, Citigroup and Wells Fargo, just to mention the biggest NY



The Emperor's New Clothes (H.C. Andersen)

Banks, which are obviously not just **TBTF** (too big to fail) but also, shall we abbreviate it **TBTP** (too big to punish). The American bail-out now approaches 80% of the inland product, money which we and our children owe to the bankers. Paranoia seems justified.

Incredible is also the lack of consequences, precipitated by this crisis. The hedge funds, e.g., are back at the stage and proudly announced billions of earnings while the Dow Jones and similar indices lost approximately half of their value.

Since the topic is difficult for me to understand, I shall be grateful for any editing of this paper.

John Schou
24.5.2009

Addition 2010

I expressed doubt about the need for a bail-out. As time passes by and the big, ever hungry banks continue making optimistic business, paying immodest manager bonuses and making business without any hint of a crisis, this doubt has increased. Most, however, this doubt was nourished by the Iceland experience, the consequence of which cannot be concluded in writing moment.

An Icelandic bank, the Ice-Save, had tempted a large number of British and Dutch investors with high interest rates. As the adventure ended, almost 4 billion € were missing. Somehow, the governments of the three countries agreed that the State of Iceland should pay it all. With a population of some 320,000, each Icelander, young and old, were suddenly bereaved of some 12,000 € - and it was not the only episode of the Icelandic financial crisis, a serious set-back had already hit the country. In this situation, the people asked themselves, "Why should we bail-out people and institutions who failed to notice the old rule that higher interests mean higher risks?" Massive demonstrations turned over the government, but the new government found their predecessors action binding.

In reaction, a referendum was called for, and expecting the result, the Icelandic President cleverly refused to sign the agreement, which Gordon Brown in London and Jan Peter Balkenende in Amsterdam had already taken for granted and supported their unlucky speculators with a full bail-out. Although the Icelandic government advocated not to vote, expecting a reduced turn-out could be interpreted as an invalid vote, the turn-out was 62.7%, of whom 93.1% voted no to the bail-out and only 1.6% yes. As was enthusiastically commented: "The voice of the people against the blackmailing power of the international financial elites might now have become precedent for other countries in similar situations" [27].

As stated, the consequences are not survey able yet. It can be feared that severe punishment will follow. The question is, to which extent the general Icelandic citizen can be responsible for the action of Great Britain and the Netherlands.

March 11, 2010

Money is Debt

Since leaving gold or silver standards for currency, money is something printed on paper. Indeed, money is debt, eventually provided to you when e.g. when you want to buy a house and only then supported by some value. It becomes more extreme with the banker's bailout: the parliamentarians may fight over small sums for years. Suddenly, they are forced to decide about a bail-out with size comparable to the nation's gross national product - and they obeyed to the banker's demand. Thus, many nations were accepting to borrow tremendous amounts from their central banks. But whereas the money from the central banks is imaginary, the value of the money to pay back is real. All of a sudden, there was no money for basic needs - but million in bonuses for the bankers. Could it have been much worse, had our governments said no? Is it too late now to react? Was the crisis synchronised? Is this the attempted enslavement of the people through the Rothschilds? I can pose these questions, but I cannot answer them.

January 16, 2011

'Too Big to Fail' or 'Send Them to Jail'

In the present chronic crisis, I was suddenly hit by a simple model to explain the origin of the malice. Nearly all governments of the world have debts (more or less). Which nations have in contrary credits? None! The world's debt is to the private central banks; and these private banks demand through IMF and World Bank all sorts of intolerable conditions (e.g., higher taxes, privatization of water and other typically public resorts and a deterioration of social secure) to further increase these large banker's wealth. Many countries have fallen victim to this typical development, and where they haven't been, they will come, though not simultaneously; the big bankers would then have to fear that we-the-victims would unite in the only reasonable demand: *Nationalize the central banks*, and do it worldwide rather simultaneously (a new form of globalisation).

June 15,2011