

# KNOWLEDGE IS POWER

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To use the many video links in this document, move the cursor to the link, point and click. Start by clicking on China [tortures](#) free speech advocates.

## CONSTITUTIONAL PRINCIPLES

The Constitution and Bill of Rights are the culmination of 2500 years of Western tradition. Beginning with ancient Greek democracy, the Roman Republic, through the Dark Ages, feudalism, the Enlightenment, the English Magna Carta when nobles began demanding basic rights from the King, all of these led to the Declaration of Independence, Constitution and Bill of Rights. Belief in a Creator inspired the idea that individuals are sovereign and entitled to a government of, by, and for the people. These principles are eternal and do not change with time, technology, globalization, or corrupt leadership. America's founding principles have inspired people around the world, this will continue as long as citizens defend the unalienable rights of all people.

Some argue that, because of slavery, America was founded on racism. This is not true. The founders understood the contradictions of slavery so the preamble of the Constitution contains the phrase "in order to form a more perfect Union". They knew the Union would not be perfect, so they set forth aspirational principles in the founding documents that have inspired the entire world. It was those moral and ethical principles that led to the end of slavery and the rights of women and former slaves to vote as equal citizens.

The founding fathers were students of history. Thomas Jefferson could read Latin and Greek and had studied the ancient texts of Athenian democracy and the Roman Republic. Cincinnatus was a Roman general. In 485 B.C., a tribe of central Italy was threatening to destroy the Roman army. He was chosen chief of state by the Roman Senate and after defeating the enemy, he marched back to Rome and resigned as chief of state. George Washington has been referred to as "the American Cincinnatus" because he refused office after his second term. Cincinnati Ohio was named after Cincinnatus.

Why is America the greatest country in the world? The United States of America was founded on moral principles, it's that simple. The Declaration of Independence cites self evident truths that prove all people are endowed by the Creator with certain unalienable rights. Self evident truths mean the argument is over, the truth is self evident, but believers in the religion of Darwinism continue to disagree. I refer to Darwinism as a religion because we have all heard of the missing link between man and apes. It requires just as much faith to believe humans evolved from apes as it does to believe humans were created by God. Tyrants and dictators prefer Darwinism because it precludes unalienable rights and rationalizes brutal oppression.

## MONOPOLIES THREATEN REPRESENTATIVE GOVERNMENT

The following text is from the World Book Encyclopedia, copyright 1969: The Boston Tea Party was a raid by American colonists on three British ships in Boston Harbor on Dec. 16, 1773. A band of citizens disguised as Indians threw the contents of 340 chests of tea into the bay. This was one of the incidents that led to the Revolutionary War in America.

Many colonists were determined not to pay taxes to the British government. Formerly, the tax on tea imported from England was so high that the colonists usually drank smuggled Dutch tea. In 1767, the British decided to levy a lower duty of three pence a pound on tea, and to collect it. More people bought the cheaper tea, but independence groups agitated for tax removal. In 1773, the British government allowed the British East India Company a substantial tax rebate on tea shipped to America, to keep it from bankruptcy. Soon tea was on its way to Boston, consigned to individuals who were given a monopoly on its sale. Colonists feared the tea monopoly would put local merchants out business, and that other retail businesses might also be made into monopolies. (end of excerpt)

The King of England had given the British East India Company a monopoly on the sale of tea, so this, as well as taxation without representation, was a major factor leading to the Revolutionary War. It's clear our founding fathers viewed the tyranny of private sector monopolies, backed by the British government, as a threat to their liberty and prosperity. As a conservative, I believe market capitalism provides the greatest amount of freedom for American citizens to conduct business. But the idea that markets should be "free" to create monopolies that can buy judges, politicians and elections, and eliminate competitive markets to the detriment of our nation, is a betrayal of all the men and women who have fought and died for American ideals.

The American economy grew rapidly during the first 100 years and soon monopolies like Rockefeller's Standard Oil began to threaten competitive markets. The following is an excerpt from World Book's account of President Harrison's creation of the Sherman Antitrust Act: "During the period of rapid industrialization in the late 1880's, many corporations formed trusts that controlled market prices and destroyed competition. Farmers and small businessmen demanded government protection from monopolies and trusts. The Sherman Antitrust Act, fulfilling one of Harrison's campaign pledges, outlawed trusts or any other monopolies that hindered trade." (end)

The U.S. Commerce and Justice Departments have authority to enforce antitrust law, but now American citizens are being robbed by Wall Street firms deemed “too big to fail”. “Too big to fail” is just another way of saying Wall Street corporations have monopoly power over our economy and government. Evidence of this came out August 3, 2011 in a Senate Banking subcommittee hearing on financial institutions. Senator Sherrod Brown is chairman of the committee, he cites the Congressional Budget Office which estimates the taxpayer cost of rescuing Wall Street banks will be **8.6 TRILLION** dollars.

The Dodd-Frank finance reform bill was supposed to eliminate future bailouts of too big to fail banks, but Senator Brown said “the implicit assumption that government will backstop their losses gives companies an incentive to engage in what economists have called LOOTING. Companies can risk bankruptcy at the expense of society rather than bearing the losses themselves.” “This is not capitalism in any sense of the word.” It’s a market free from the rules of capitalism, i.e., the free market. Capitalism is the solution, not the problem.

When President Bush took office in January 2001, the national debt was 5.7 trillion dollars ([www.treasurydirect.gov](http://www.treasurydirect.gov)). It took 230 years to run up the 5.7 trillion national debt, but in a few short years, socialist Wall Street banks have added 8.6 Trillion to U.S. debt. Just as the tea monopoly was created by the King of England, the Wall St. monopoly was created by the US government. The current situation is just like 1773, big government and big business have partnered up for the purpose of robbing the taxpayer. In 1902, President Theodore Roosevelt used anti-trust law to break up J.P. Morgan’s banking monopoly, now its time to do the same with too big to fail Wall St. banks.

After the Revolution, corporations remained small institutions chartered at the state level for specific purposes. By law, corporations could not make political contributions, could not own stock in other companies, were required to serve the **public interest** and could only exist for a limited time. Owners were responsible for criminal acts committed by the corporation and the doctrine of limited liability (shielding investors from responsibility for harm and loss caused by the corporation) did not yet exist. John D. Rockefeller led efforts to change laws requiring corporate owners to serve the public interest and be responsible for criminal acts. Rockefeller said “competition is a sin”.

I am part of a family owned corporation. I would be a fool if I thought our business could compete with lobbyists for General Electric, Exxon Mobil, etc. when it comes to representation for taxation. If the prostitutes in Congress

pass tax reform, who do you think will benefit? Wall Street banks are the bondholders/debt holders of monopolistic corporations like GE, Exxon and the health insurance giant Wellpoint. These large multi-nationals are by definition, loyal to no country. They have enough resources to hire the best lawyers, accountants and lobbyists money can buy, and often use them to harm the interests of individuals, small businesses and the United States.

The term “free market” was invented to fool sovereign citizens into giving up their God given right to conduct business in a way that best serves the interests of America, not the wannabe kings on Wall St., China, or the global economy. After the Revolution, company charters were, and still are, issued by Federal and State governments. Corporations are subordinate to, and regulated by, Federal and State governments. And the Constitution makes it clear that all authority of the State rests with “We the People”, the individual sovereign citizens endowed by the Creator with certain unalienable rights, it’s the law.

The recent Supreme Court decision involving Citizens United recognizes unions and corporations as “persons”, endowed with First Amendment free speech rights. How did unions and corporations obtain the legal status of “persons” with the same rights as individual citizens? The answer lies in the Fourteenth Amendment which was ratified after the Civil War in order to give freed slaves Constitutional rights. The Fourteenth Amendment states, “All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside.” The intent of the language is to confer citizenship on individuals, not groups.

After the Fourteenth Amendment was ratified in 1868, corporations began suing the government claiming they were “persons” under the law, and were entitled to core Constitutional rights. A series of Supreme Court cases in the late 1800’s and early 1900’s were decided in favor of the corporations. This established the legal precedent leading up to the recent Supreme Court decision which gives monopolistic corporations and unions even more freedom to buy judges, politicians and elections. For more information, click on the [fourteenth amendment](#), in the table of contents you will see “persons defined”, page #1679. Go to page 1679 and you can see the Supreme Court cases I am referring to. Let’s restore the principle of one person one vote.

All the so called conservatives in Congress and media supported the recent Supreme Court decision. Apparently, they believe American citizens should bend over and let private sector monopolies operating in a “free” market,

drive us into poverty. Their position is the same as the King of England and his “private” sector monopolies. The founders would see this as a betrayal of American ideals and our founding documents demonstrate this. Evidence of this is nearly 100 years passed before the Supreme Court decided corporations were “persons” entitled to free speech and other core Constitutional rights. The Constitution begins with “We the People”, not “We the Corporations” and the term “free market” is never mentioned in our founding documents. This is because our founders knew the “market” could be used to deprive sovereign citizens of wealth and liberty. So they created a Constitutional Republic where the market is subordinate to the moral principles of our Constitution, Bill of Rights and Declaration of Independence. A market “free” from moral and legal Constitutional constraints is nothing more than organized crime. Now, the free market’s invisible hand can be seen picking taxpayers pockets.

Eliminating too big to fail would require using antitrust law to break up monopolistic corporations. But this would violate World Trade Organization rules. In 1999, during the Doha round of WTO negotiations, a financial services agreement was adopted which states that individual countries cannot regulate financial firms by size. Current Treasury Secretary Tim Geithner was working in the Treasury Department at that time and was President Clinton’s negotiator at the Doha round. I refer to Tim Geithner as Guido because he is like a mafia bookkeeper. Guido negotiated FOR the financial services agreement that ceded U.S. authority to regulate the size of financial firms to the WTO. Guido also knows that WTO rules are binding and enforceable by sanctions. The evidence is clear, wannabe kings & queens running the US government and economy, have been laying the legal foundation for “too big to fail” since 1999. The legal changes creating too big to fail are an attack on the Constitution and representative government.

## FINANCIAL MARKETS

1999 was a big year for Wall Street robber barons. Gramm-Leach-Bliley (GLB) was passed by Congress in 99, followed by the Commodity Futures Modernization Act (CFMA) in 2000. GLB repealed Glass-Steagall and the CFMA prohibited regulation of derivatives trading. Glass-Steagall was enacted in 1933 in response to the stock market crash of 1929. It prohibited commercial banks from using deposits for risky speculation and prevented Wall Street investment firms from speculating in real estate mortgages. As I was growing up, my elders would describe some people as conservative, this always meant they were careful with their money. De-regulating financial

markets led to the creation of companies like AIG and all the risks associated with them. AIG is not based on conservative values. After the repeal of Glass-Steagall, Wall St. began buying subprime mortgages and selling them with fraudulent Triple A ratings. It took only 8 years to repeat the market crash of 1929. Call Congress and demand reinstatement of Glass-Steagall.

The following article is from [westlawinsider.com](http://westlawinsider.com): On November 4, 1999, the U.S. Congress passed the Gramm-Leach-Bliley Act (GLB), which was signed into law by President Clinton eight days later on November 12. The Act, also known as the Financial Services Modernization Act of 1999, was an expansive reform of the financial industry that banks and financial institutions actually sought. This is because GLB deregulated a significant part of the financial industry, in that it allowed previously separated “commercial banks” and “investment banks” to be owned by a single holding firm.

GLB also removed conflict of interest prohibitions between investment bankers serving as officers of commercial banks. These prohibitions were originally created by 1933’s Glass-Steagall Act, which was passed in reaction to the mass bank failures nationwide during the Great Depression. Under Glass-Steagall, a “commercial bank” was defined as what we traditionally think of as a bank: an institution where deposits are made and through which loans are issued (mortgages, personal loans, credit cards, etc.). “Investment banks”, on the other hand, were firms that dealt primarily in stocks, bonds, debentures, notes, or other securities. Glass-Steagall was created to curb speculation by bankers, which many economic historians credit as being a major contributor to the economic crisis in the 1930’s. Glass-Steagall’s prohibitions, though, represented a blockade on a substantial revenue source for financial institutions (banks in particular).

Gramm-Leach-Bliley was the first successful attempt (twelfth overall) to repeal those sections of Glass-Steagall in question. As mentioned earlier, the repeal of those provisions opened up an entirely new revenue stream for financial institutions, not least among these are mortgage backed securities (MBS), forms of asset-based securities (ABS). An asset-based security is a debt instrument, such as a bond, and it is secured by assets that have been pooled. A mortgage-backed security is an ABS in which mortgages are the “asset” that is pooled.

Securities are sold to investors, and through these securities, the investor assumes the risk of the mortgage, but is also entitled to principal and interest

payments from the pooled mortgages. This “risk-sharing” aspect of MBSs actually precipitated a major change in risk-assessment by the lender. Traditionally, the risk of default is factored into the origination of a loan by the lender. Because of the off-balance-sheet nature of securities, though, the risk of a bad mortgage was passed from the lender onto the owner of MBSs.

This wasn’t much of a problem in the early 21<sup>st</sup> century when the real estate market was booming and defaults were low. During this time, MBSs were extremely lucrative, and the demand for them was just as high. This, in turn, led to lenders loosening their standards so that more mortgages, and thus more MBSs, could be issued. Unfortunately, these loose standards led to an increase in mortgage default rates. MBSs suddenly turned toxic, and the holders, which included a wide range of investors from major investment firms to individual consumers, were left with worthless securities. This chain of events was one of the primary contributors to the 2008 financial crisis. If not for Gramm-Leach-Bliley, banks such as Bank of America, Wells Fargo and Citigroup, wouldn’t have been able to deal in mortgage backed securities at all. (end of article) GLB paralleled changes in **WTO rules**.

This next article on derivatives was published at [www.Finreg21.com](http://www.Finreg21.com). The author is Lynn Stout, professor of corporate and securities law at UCLA where she specializes in corporate governance, securities regulation, law, economics and moral behavior. Professor Stout is an internationally recognized expert in these fields who publishes extensively and lectures widely. She is the Principal Investigator for the UCLA-Sloan Foundation Research Program on Business Organizations and also serves on the Board of Trustees for the Eaton Vance family of mutual funds and as an Adjunct Researcher at the Rand Corporation. She is past Chair of the American Association of Law Schools (AALS) Section on Law and Economics, past Chair of the AALS Section on Business Associations, and has served on the Board of Directors of the American Law and Economics Association.

## HOW DEREGULATING DERIVATIVES LED TO DISASTER, AND WHY RE-REGULATING THEM CAN PREVENT ANOTHER

July 6, 2009

When credit markets froze up in the fall of 2008, many economists pronounced the crisis both inexplicable and unforeseeable. That’s because they were economists, not lawyers. Lawyers who specialize in financial



regulation, and especially the small cadre who specialize in derivatives regulation, understood what went wrong. Some even predicted it. That's because the roots of the catastrophe lay not in changes in the markets, but changes in the law. Perhaps the most important of those changes was the U.S. Congress's decision to deregulate financial derivatives with the Commodity Futures Modernization Act (CFMA) of 2000.

It was the deregulation of financial derivatives that brought the banking system to its knees. The leading cause of the credit crisis was widespread uncertainty over insurance giant AIG's losses speculating in credit default swaps (CDS), a kind of derivative bet that particular issuers won't default on their bond obligations. Because AIG was part of an enormous and poorly understood web of CDS bets and counter bets among the world's largest banks, investment funds, and insurance companies, when AIG collapsed, many of these firms worried they too might soon be bankrupt. Only a massive \$180 billion government funded bailout of AIG prevented the system from imploding. This could have been avoided if Congress had not deregulated financial derivatives, i.e., CFMA.

Wait a minute, some readers might say. What do you mean, "de" regulated derivatives? Aren't derivatives new financial products that have never been regulated? Well, no. Derivatives have a long history that offers four basic lessons. First, derivatives contracts have been used for centuries, possibly millennia. Second, healthy economies regulate derivatives markets. Third, derivatives are regulated because while derivatives can be useful for hedging, they are also ideal instruments for speculation. Derivatives speculation in turn is linked with a variety of economic ills, including increased systemic risk when derivatives speculators go bust. Fourth, derivatives traditionally are regulated not through heavy handed bans on trading, but through common-law contract rules that protect and enforce derivatives that are used for hedging purposes, while declaring purely speculative derivative contracts to be legally unenforceable wagers.

## A BREIF HISTORY OF DERIVATIVES

Finance economists and Wall Street traders like to surround derivatives with confusing jargon. Nevertheless, the idea behind a derivative contract is quite simple. Derivatives are not really "products" and they are not really "traded." They are simple bets on the future, nothing less, and nothing more. Just as you might bet on which horse you expect to win a horse race and call

your betting ticket your “derivative contract” you can bet on whether interest rates on bank deposits will rise or fall by entering an interest rate swap contract, or bet on whether a bond issuer will repay its bonds by entering a credit default swap contract.

These sorts of commercial wagers are neither new nor particularly innovative. Although derivatives have gone by many different names, derivatives contracts have been around for centuries. Readers are invited to read the 1884 U.S. Supreme Court case of *Irwin v. Williar*, which demonstrates both that derivatives trading was common in the nineteenth century, although derivatives were then called “difference contracts”, and that derivatives were subject even then to regulation. Originally, most commercial derivatives were bets on the future prices of agricultural commodities, like the rice derivatives traded in Japan in the fifteenth century or the corn and wheat futures still traded on the Chicago Mercantile Exchange today. To use the language of derivatives traders, the “underlying,” that is, the thing being bet upon, was the future market price of rice, wheat, or corn.

The first “financial” derivatives, in the form of stock options, became common in the 1800’s. The 1990’s saw an explosion in other types of derivatives contracts, including bets on interest rates (interest rate swaps), credit ratings (credit default swaps), and even weather derivatives. By 2008, the notional value of the derivatives market, that is, the size of the outstanding bets as measured by the value of the things being bet upon, was estimated at \$600 TRILLION, amounting to about \$100,000 in derivative bets for every man, woman, and child on the planet.

This sudden development of an enormous market in financial derivative contracts was not the result of some new idea or “innovation.” Rather, it was a consequence of the steady deregulation of financial derivatives trading.

## A BREIF HISTORY OF DERIVATIVES REGULATION

Just as derivatives have been around for centuries, so has derivatives regulation. In the U.S. and U.K., derivatives were regulated primarily by a common-law rule known as the “rule against difference contracts.” The rule against difference contracts did not stop you from wagering on anything you liked: sporting contests, wheat prices, interest rates. But if you wanted to go to a court to have your wager enforced, you had to demonstrate to a judge’s satisfaction that at least one of the parties to the wager had a real economic

interest in the underlying and was using the derivative contract to hedge against a risk to that interest.

Because of course, wagers can be used to hedge against risk. For example, if you own a corporate bond and you are worried the issuer might default, you can reduce your risk by entering a CDS contract, essentially betting against the issuer's creditworthiness. If the bond decreases in value, the CDS will increase in value. Similarly, if you own a \$500,000 home, you can hedge against the risk your home will burn down by making a bet with an insurance company that will pay off \$500,000 if the home actually burns. Most of us call these wagers "homeowner's insurance," although a typical Wall Street derivatives dealer might label them "home value swaps." Using derivatives this way is truly hedging, and it serves a useful social purpose by reducing risk.

But as judges have recognized for centuries, at least until recently, derivative bets are also ideally suited for pure speculation. Speculation is the attempt to profit not from producing something, or even from providing investment funds to someone else who is producing something, but from predicting the future better than others predict it. A speculator might, for example, try to make money predicting wildfires by buying home insurance on houses in Southern California without actually buying the houses themselves. Similarly, a speculator might hope to make money betting on a company's fortunes by buying CDS on the company's bonds without buying the bonds themselves. Unlike hedging, which reduces risk, speculation increases a speculator's risk in much the same way that betting at the track increases a gambler's risk. Highly speculative markets are also historically associated with asset price bubbles, reduced returns, price manipulation schemes, and other economic ills.

Common-law judges accordingly viewed derivatives speculation with suspicion. Under the rule against difference contracts and its sister doctrine in insurance law (the requirement of "insurable interest"), derivative contracts that couldn't be proved to hedge an economic interest in the underlying were deemed nothing more than legally unenforceable wagers. This didn't mean derivatives couldn't be used to speculate. But the rule against difference contracts forced speculators to think about how they could make sure their fellow gamblers paid their bets. The answer was for the speculators to set up private exchanges with membership requirements, margin requirements, netting requirements, and a host of other rules designed to make sure that,

despite the legal invalidity of speculative derivatives contracts, speculating traders would make good on their contract promises. In the process, the exchanges kept derivatives speculation in check under controlled conditions.

Eventually, the control was increased when government regulators like the Commodities Futures Trading Commission (CFTC) and Securities Exchange Commission (SEC) were empowered to oversee trading on particular exchanges. Meanwhile, when speculators made trades off the exchanges, the rule against difference contracts kept “over the counter” (OTC) speculation in derivatives in check.

At least, it kept speculation in check until the rule was dismantled. The dismantling process began when the United Kingdom passed its Financial Services Act of 1986, “modernizing” the UK’s financial laws by eliminating the old rule against difference contracts and making all financial derivatives, whether used for hedging or for speculation, legally enforceable. U.S. regulators, worried that Wall Street banks might lose out on a lucrative new market, followed suit in the 1990’s by creating ad hoc regulatory exemptions for particular types of financial derivatives like currency forward contracts and interest rate swaps. Soon the US also embraced wholesale deregulation with the passage of the CFMA in 2000. The CFMA not only declared financial derivatives exempt from CFTC or SEC oversight, it also declared all financial derivatives legally enforceable.

The CFMA thus eliminated, in one fell swoop, a legal constraint on derivatives speculation that dated back not just decades, but centuries. It was this change in the law, not some flash of genius on Wall Street, that created today’s 600 TRILLION financial derivatives market.

## WHY RE-REGULATE DERIVATIVES? SPECULATION AND SYSTEMIC RISK

The results have proven unfortunate, to say the least. Yet it’s surprising the unregulated over-the-counter derivatives market didn’t go sour even sooner. Even before AIG, derivatives speculation had already led to the collapse of Barings Bank in 1995; the failure of hedge fund Long Term Capital Management (LTCM) in 1998; the Enron bankruptcy in 2001; and collapse of the investment bank Bear Stearns in 2008, a few months before AIG’s fall.

These examples show why it is essential for policymakers who are thinking

about how derivatives affect risk in the marketplace, to distinguish as the common law did, between using derivative contracts to hedge and using them for speculation. Hedging provides a social benefit by reducing the hedging party's risk. But when speculators use derivatives to try to profit from predicting future events, they increase their risk, just as gamblers increase their risk by betting. Unchecked derivatives speculation thus adds risk to the system by making it possible for individual speculators like AIG, Barings, LTCM, Enron, and Bear Stearns, to lose very large amounts of money very unexpectedly. But wait, some readers might say. Couldn't AIG have been an unusual case, a "rogue" insurance company that succumbed to speculative fever? Isn't it possible that most financial derivatives users wisely confine their derivatives deals to true hedging?

Given the stigma attached to speculation, it's not surprising that most parties to derivatives contracts claim, at least in public, that they use derivatives for hedging and not for speculation. In some cases this seems a rather transparent attempt at deception. Hedge funds for example should call themselves "speculation funds", as it is quite clear they are using derivatives to try to reap profits at the other traders' expense. Perhaps more often, derivatives traders incorrectly describe themselves as "hedging" when they use derivatives to offset some of the risk associated with taking a speculative position. This is much the same as a racetrack gambler claiming she is "hedging" because, in addition to betting on a particular horse to win, she also buys a betting ticket for the same horse to show.

Yet the data suggests that speculation, not hedging, drives over-the-counter financial derivatives markets. For example, we know the CDS market was dominated by speculation in 2008. We know this because by the end of that year, the notional value of the CDS market had reached \$67 TRILLION. At the same time, the total market value of all the underlying bonds issued by U.S. companies outstanding was only \$15 TRILLION. When the notional value of a derivatives market is more than four times larger than the market for the underlying, it is a mathematical certainty that most derivatives trading is speculation, not hedging. And business history, including very recent history, shows derivatives speculation increases systemic risk.

It is possible, of course, that derivatives speculators provide other benefits to the market that offset the social cost of this increased systemic risk. Although from a social perspective speculation is a zero-sum game, one trader's gains necessarily come at another trader's expense, just as gamblers

can only make money by taking money away from other gamblers. Economists sometimes claim speculators add useful liquidity to markets and speculation can improve the accuracy of market prices. The derivatives industry routinely repeats this mantra. Yet there is virtually no empirical evidence to establish the value of the supposed liquidity and “price discovery” benefits from derivatives speculation. Much less, evidence that shows the value of those benefits exceeds the enormous social costs of derivatives speculation. Recall that U.S. taxpayers have spent nearly \$180 billion on the AIG bailout alone.

## WHAT TO DO?

Although few observers appreciated it at the time, the CFMA’s deregulation of financial derivatives was a novel legislative experiment. It’s almost as if the US Congress said to itself, “let’s see what happens if we suddenly remove centuries of law!” Now we know what happens. The experiment has not turned out well.

What to do? The answer seems obvious: go back to what worked so well, for so long. The old common law rule against difference contracts was a simple, elegant legal sieve that separated useful hedging contracts from purely speculative wagers, protecting the first and declining to enforce the second. This no-cost, hands-off system of “regulation” (there is no cheaper form of government intervention than refusing to intervene at all, even to enforce a deal) did not stop speculators from using derivatives. But it did require speculators to be much more careful about their counterparties, and to develop private enforcement mechanisms like organized exchanges that kept speculation confined to an environment where traders were well capitalized, and knew who was trading what, with whom, when. This approach kept runaway speculation from adding intolerable risk to the financial system. And it didn’t cost a penny of taxpayer money!

During the roaring 1990’s, when financial derivatives were being widely applauded as risk-reducing, highly efficient (and for Wall Street, highly profitable) financial “innovations,” the old rule against difference contracts had little appeal. Maybe it has more now. (end of Lynn Stout’s article)

The Dodd-Frank Finance Reform Act gave permanent bailout authority to the Federal Deposit Insurance Corporation (F.D.I.C.), which is now exposed to Wall Street’s 600 trillion dollar deregulated financial **derivatives** market.

## THE BUDGET

We hear endless debate about social security, health care reform and the disastrous consequences of unfunded mandates. Social Security was on a sustainable path until the Trust Fund was robbed by both liberals and conservatives. Medicare and Medicaid are currently solvent but in the near future they will rapidly go in the red. The unfunded mandates of entitlement programs pose a very serious threat to a sustainable budget, but there is an even bigger threat to America's economy. That threat is the Wall Street entitlement program known as the Dodd-Frank Finance Reform Act.

In a House Financial Services hearing on Dodd-Frank, Rep. Manzullo said the bill would **institutionalize TARP**. Rep. Sherman said the executive branch could spend TRILLIONS on future bailouts **without Congressional approval**. Dodd-Frank violates the constitutional requirement that all appropriations originate in the House of Representatives. This requirement is the basis for one of our core constitutional rights, i.e., no taxation without representation.

The Politico quoted Rep. Sherman saying Dodd-Frank is “permanent unlimited executive bailout authority” because it gives permanent bailout authority to the F.D.I.C, which is controlled by the executive branch. The F.D.I.C. was created to insure deposits, it was NEVER intended to guarantee the high risk, high leverage gambling activities engaged in by Wall Street investment firms. But this is precisely what Dodd-Frank has done, and the downside risk to the budget and taxpayers is unlimited. This is corroborated by Harvard economist **Jeffrey Miron**. President Obama, under the guise of consumer protection, signed the Dodd-Frank Act into law on July 21, 2010.

Rep. Sherman led House Democrats and Republicans in a revolt against the TARP bailout. Sherman said House members were told America would be placed under **martial law** if they didn't pass the bailout. He debated Rep. Paul Ryan, who was for TARP, on CNBC Sept. 20, 2008. Sherman opposed TARP because it allowed foreign banks to transfer their toxic assets to U.S. subsidiaries and sell them to the U.S. Treasury. He said, “The Bank of Shanghai can transfer all of its toxic assets to the Bank of Shanghai in Los Angeles, its subsidiary, which can sell them the next day to the Treasury”.

“Foreign markets are being told they are getting the money”. “Assets now held in China and London can be sold to U.S. entities on Monday and sold to the Treasury on Tuesday”. Sherman opposed the executive branch power

grab represented by TARP and said there is “no real control on Treasury Secretary Paulson’s power” and there is “no limit on million dollar a month salaries at bailed out Wall Street firms”. Click [here](#) to watch the video.

January 8, 2010 U.S. Representative Colin Peterson from Minnesota was a guest on AM 1100 “The Flag”. In his interview with Scott Hennen, Peterson said “I knew that 60% of TARP money was going to [foreign banks](#)”. A tarp is used to cover up things. In this case, the TARP was used to cover up fraud. Politicians and media talking heads always refer to TARP as a 700 billion dollar bailout program. This statement is grossly misleading, a.k.a. fraud, because TARP was made permanent by the Dodd-Frank Finance Reform Act.

July 21, 2009, the news show Democracy Now reported that the Special Inspector General for T.A.R.P., Neil Barofsky, said the maximum taxpayer exposure to banks and other financial institutions is [24 TRILLION](#) dollars! Mr. Barofsky also said the Treasury Department has refused to require bailout recipients to explain what they are doing with government funds. He also and criticized the Obama administration for its lack of transparency. The 24 trillion dollar taxpayer exposure must have slipped Obama’s mind. Oops!

Jan. 22, 2009, CSPAN aired debate in the U.S. House of Representatives regarding TARP. Representative Jeb Hensarling, a conservative Republican from Texas, said that between the Treasury, Fed, F.D.I.C. and FHA, the bank bailout was up to “[8 Trillion](#)” in cash and loan guarantees. A couple months later, Senator Dorgan was on a Fargo radio station and said the bailout was up to “9 Trillion”. On 5-7-09, author Naomi Klein was on MSNBC’s Rachael Maddow show and said the bank bailout was up to “11.5 Trillion”. How close are we now, to the potential \$24 trillion taxpayer liability? Read on.

Before becoming Inspector General of TARP, Mr. Barofsky spent 8 years prosecuting mortgage and securities fraud. He spoke at an event sponsored by the Pew Foundation on June 27, 2011 and was asked if he investigated the bank fraud which caused the financial crisis. Barofsky said his jurisdiction only covered the use of TARP funds, not the fraud that caused the need for TARP. He said “this was a betrayal for me” and regarding the nine biggest banks, “it didn’t matter if they were cooking the books on their balance sheets, Treasury was giving them money anyway, in fact, if they had even larger holes on their balance sheets due to fraud, that would have been only more reason for Treasury to give them money”. To hear Inspector Barofsky’s remarks, go to [cspan.org](#) and search for “pew financial reform project.”



Under the video play list, click on “lessons from bailouts, a conversation”. You can hear his quote on fraud by the nine biggest banks at 32min/56sec. If you’re reading this online, click [here](#) to watch Mr. Barofsky’s comment.

Trillions of dollars of equity vanished from public and private retirement funds when Wall Street bank fraud collapsed the market. After the collapse, the state official managing North Dakota’s public pension fund committed suicide. When media reported his suicide, they also reported the North Dakota public pension fund was under funded by one billion dollars. Wall Street fraud has cost states trillions in lost revenue and equity, so why aren’t all fifty State Attorney’s General conducting a criminal investigation? Could it be the lobbying power of too big to fail banks? Wall Street bankers were Obama’s largest campaign contributors, his criticism of Wall St. is just an act.

Congress and the Justice Department have not conducted a serious criminal investigation into Wall St. fraud causing the financial crisis. We know there was fraud because Goldman Sachs was assessed a 550 million CIVIL penalty for misleading investors as to the value of mortgage backed securities (MBS). Google the topic and you will find articles like the one published in the New York Times on July 15, 2010. Goldman was [fined](#) 550 million but received 10 billion of TARP money and according to the Government Accountability Office (GAO) audit of the Federal Reserve, Goldman Sachs received 814 billion dollars of near 0% loans from the Fed. The 550 million civil penalty, a fraudulent attempt to demonstrate due diligence, incentivizes more [fraud](#).

Crime does pay if you’re a Wall Street banker. Click on [Fed audit](#), this will get you to Table 8 on page 131. The site is quite slow so it takes a couple minutes to download the information. Click on [TARP](#) for information on the distribution of TARP funds (pages 10&11). The total at the bottom of table 8 of the GAO audit shows the Federal Reserve pumped over 16 TRILLION dollars into U.S., European and Asian banks. The Federal Reserve has a dual mandate, 1) full employment and 2) price stability. The Fed has loaned 16 trillion dollars, at near 0% interest, to poorly managed foreign and domestic banks, meanwhile the real U.S. unemployment rate is [15.1%](#). Regarding price stability, Fed policy is widely reported to have driven up the price of oil, food and other commodities. The Fed is violating its mandates by propping up the global economy at the expense of the US economy. Isn’t this treason?

Rush Limbaugh repeatedly says the government forced Wall St. banks to make loans to people who couldn’t pay them back. This is misleading.

Investment firms like Goldman Sachs have never been lenders to individual home owners. They were BUYING subprime mortgages on the secondary mortgage market, then bundling and securitizing them for sale to investors. And the majority of subprime loans were originated by mortgage brokers who were exempt from the government's Community Reinvestment Act. Oops!

Mortgage brokers like Countrywide worked hand in glove with Wall St. firms to feed the need for worthless loans that were packaged into Collateralized Debt Obligations (CDO's), given a fraudulent triple A rating by ratings agencies, leveraged 50 to 1 and sold to investors around the world. Firms like Goldman Sachs knew their CDO's were junk and took out insurance policies at AIG called Credit Default Swaps (CDS's), which were bets that their CDO's would fail. This is why TARP was designed to bail out foreign banks. Wall Street firms sold them fraudulent securities and TARP was used to buy them off. President Bush's Treasury Secretary, Henry Paulson, created TARP and was CEO of Goldman Sachs before going to Treasury. Google the phrases "Goldman Sachs buys Countrywide loans for CDO's" and "banks falsify deeds and promissory notes for mortgage backed securities."

Citigroup collapsed on Nov. 23, 2008 and was given a government guarantee on 306 billion of debt with an expected **cost** to the taxpayer of 250 billion. Google the topic and you will find articles like the one from Reuters on Nov. 24, 2008. **Reuters** cited Saudi prince Alwaleed bin Talal as "Citigroup's largest individual investor". Days before Citigroup's collapse, executives were stating publicly that the bank was "well capitalized". These fraudulent public statements were based on the use of structured investment vehicles (SIVs) whereby tens of billions of toxic assets were kept off Citigroup's books. Billions of illiquid assets on the books were also marked at inflated values. For more information, Google the phrases "Citigroup says well capitalized days before collapse" and "Wall Street banks use structured investment vehicles to keep billions off the books". Knowledge is power!

According to the GAO Fed audit (page 131, table 8), Citigroup was rewarded for its' fraudulent practices with 2.5 Trillion of near 0% loans from the Federal Reserve. I bet Saudi prince Alwaleed bin Talal is saying forget Allah, I worship the almighty Fed Chairman Ben bin Bernanke, and his boss Lucifer.

Prior to and during the 2008 Wall Street financial crisis, current Treasury Secretary Tim Geithner was President of the New York branch of the Federal Reserve. The N.Y. Fed was/is the regulator directly responsible for Wall Street

oversight. As President of the N.Y. Fed, Geithner was legally charged with examining the books of Wall Street banks. Oops! On April 2, 2009 Geithner stated publicly that Wall Street was “engaged in massive fraud.” He did nothing to stop the fraud so he was rewarded with a promotion to Treasury Secretary. There he continues the cover up of fraud and the bailout of criminal bankers both foreign and domestic. This will bankrupt America.

In 2008, Congressional Budget Office Director Peter Orszag said Fannie and Freddie’s collapse put taxpayers on the hook for **6.3 Trillion**, and this liability should be included in the budget. Nov. 7, 2011, CNBC’s David Faber said “Fannie and Freddie are off the U.S. balance sheet”. Oops! CSPAN aired a **presentation** by former Goldman Sachs executive John Talbott who talked about his book “The 86 biggest lies on Wall Street”. He said when Fannie and Freddie collapsed, “400 billion dollars of debt held by China was paid back 100 cents on the dollar”. Dec. 24, 2009, Obama extended unlimited credit to Fannie and Freddie so Geithner can use them as a **backdoor bailout** of Wall Street’s toxic assets, i.e., another TARP. It’s the **crime of the century**.

The Financial Crisis Inquiry Commission was a revealing examination of the collapse of Wall Street banks and government sponsored enterprises (GSE’s) Fannie Mae and Freddie Mac. The Commission concluded that: 1) The crisis was preventable. 2) Regulators looked the other way. 3) Big banks took irresponsible risks. Both Presidents Bush and Obama have said the crisis could not have been prevented because no one saw it coming. They lied! So one might think the media would do a story about the Commission saying the crisis was preventable. Nope. The proceedings and conclusions of the Commission’s inquiry into the worst financial crisis since 1929 have been ignored by media and politicians on the left and the right. That is because the Commission found both Democrats and Republicans culpable for the crisis.

A good example of bi-partisan culpability is the collapse of Fannie Mae and Freddie Mac. James Lockhart and Armando Falcon were former directors of OFHEO, Office of Federal Housing Enterprise Oversight. OFHEO was/is the regulatory agency overseeing Fannie and Freddie. The following are some highlights from their testimony with the min/sec where you can find the quotes. The hearing begins with the opening statement of Mr. Falcon which lasts 10 minutes, I would recommend watching all of it. At 4min/30sec into his opening **statement**, Falcon talks about a 2003 systemic risk report on Fannie and Freddie. The report was bad and F&F executives tried to repress it. The risk report was released on Feb. 4, 2003. On that day, Mr. Falcon

was in New York to give a speech. Just before his speech, Falcon received a call from the White House and was told he was being replaced. Mr. Falcon said, “this is odd considering there is no vacancy in the position” and asked the White House to postpone the announcement. The White House declined and Falcon said “the next day’s news emphasized the personnel change and gave scant coverage to the systemic risk report. This was the result intended by those who engineered the timing of the announcement of my replacement.”

28min/10sec, Commissioner Bill Thomas **asks** Lockhart why F&F did not raise equity to reduce credit risk. Lockhart said Fannie&Freddie “boards were much more focused on profitability, they felt that was their fiduciary responsibility to shareholders, the mission was a distant, not even second”, [the mission being affordable housing goals]. Commissioner Thomas said, “My assumption is there was virtually no discussion about taxpayers rather than shareholders.” Lockhart laughed and Thomas said, “You don’t have to answer that.” 29min/30sec, Commissioner Thomas **cites** a March 11, 2008 Barron’s article which suggests F&F are insolvent and predicts a government bailout. He then cites a March 16, 2008 e-mail from Treasury undersecretary Steele which ends with, its “way above my pay grade to double the U.S. debt in one fell swoop.” F&F held 6 trillion of debt when it collapsed in 2008.

1:05:22sec, Commissioner Byron Georgiou **said** “I want to ask you about a few accounting issues because both of these institutions were at one point in the past cooking the books, or so they were found to have done.” Lockhart and Falcon explained that F&F had made a practice of keeping delinquent loans off the books for as long as 24 months, among other accounting fraud.

01:09:45sec, Commissioner Georgiou **said** “Let me turn if I can to this lobbying business. I take it this was an equal opportunity bi-partisan lobbying push over the years when F&F were engaging in this practice”, i.e., cooking the books. “There were well connected people who were either former legislators, or former staffers and others, from both parties who were retained by these institutions to lobby. Would you characterize it that way Mr. Falcon?” “Yes I would.” “Mr. Lockhart have you seen that?” “Yes, they had big groups of lobbyists on both sides of the isle.” Commissioner Georgiou continued “Isn’t this a particularly egregious lobbying abuse? Here you had two taxpayer buttressed institutions who were spending taxpayer money to lobby administrations and Congress who were responsible for their oversight, to the detriment of the taxpayers themselves. It strikes me as absolutely astonishing.” Falcon and Lockhart were in full agreement.

1:34:35sec, Mr. Lockhart **said** “there was no debt discipline for these two companies.” “People [Congress] didn’t care if they couldn’t put out a financial statement for five years. People [Congress] didn’t care they were starting to lose money.” Lockhart and Falcon had made it clear that for five years, from 2003 to the collapse in 2008, F&F lobbied hard against their regulatory efforts to reduce systemic risk. They said bi-partisan lobbyists used “strong arm tactics” and “misinformation” to block any attempt to protect taxpayers from F&F’s systemically risky business practices.

1:54:25sec, Commissioner Hennesey said “the Congressional Budget Office projects a 389 billion budgetary cost by 2019.” Commissioner Georgiou **added**, “In addition to dollars lost, there have been large public investments. Treasury has purchased 75.2 billion of Fannie preferred stock, which Mr. Lockhart has said may never be worth anything. The Fed has purchased 1.026 Trillion of F&F mortgage backed securities and Treasury has purchased 254 billion of F&F mortgage backed securities.” Mr. Lockhart said “they are backed by that preferred stock, those mortgage backed securities, so if there are more losses, the government will be backing them.” And these numbers don’t include the 400 billion paid to China at 100 cents on the dollar. Watch other hearings of the Financial Crisis Inquiry Commission by clicking on **fcic**. The scant media coverage of these important hearings speaks volumes.

Oops! This is essentially the bi-partisan response to the worst financial crisis since 1929. The leaders of both parties are up to their eyeballs in a **cover up** of the biggest financial fraud in U.S. history. Presidents Bush, Obama and Congress have done nothing to correct fraudulent banking practices. To the contrary. After the accounting fraud that led to Enron’s collapse, rules like “mark to market” were put in place requiring large companies to mark balance sheet assets to market value. Due to Congressional pressure, in April of 2009, the Financial Accounting Standards Board (FASB) **relaxed** mark to market rules for banks. Systemic accounting fraud is the new standard.

University of North Dakota economist Dr. David Flynn said on 1310 KNOX am radio, if all the toxic assets backed by the U.S. government were marked to market value, the national debt would be “21 TRILLION.” The greatest threat to the budget deficit and national debt are criminal politicians and the criminal bankers pulling their strings. CEO’s of big banks are the pimps and politicians are the whores screwing the taxpayers. When President Bush took office in Jan. 2001, the national debt was 5.7 Trillion. By Dec. of 2008 the debt was 10.7 Trillion. President Obama has continued the crime spree.

From 10.7 Trillion in Dec. 2008, the national debt was up to 14.2 Trillion as of Feb. 2011. These numbers are from [www.treasurydirect.gov](http://www.treasurydirect.gov)

On April 22, 2010, an [Investors Business Daily](#) article said “20 Trillion in taxpayer funds” has been committed to prop up Wall Street. Meanwhile, the domestic economy is experiencing virtually no growth and no job creation. And the multi-nationals whose stock price has been propped up by 20 Trillion of taxpayer stimulus, want a tax break to repatriate their profits. Sept. 14, 2011 Treasury Secretary Giethner was on CNBC’s “Squawk Box” and said lowering the repatriation tax would add “60-80 billion dollars to the deficit” and we would “raise taxes on the other 96% of U.S. companies that don’t benefit from lower taxes on overseas profits.” Multi-nationals are also demanding a lower corporate tax rate on domestic profits. But conservative tax reformer Grover Norquist was on CSPAN’s Washington Journal and [said](#), “corporations don’t pay taxes, they collect them from you and me...we pay them everytime we buy something at the store.” He didn’t mention that small corporations don’t have the ability to pass costs onto the consumer. The tax code is designed to shift the burden to individuals and small businesses.

Nov. 14, 2011, Warren Buffet was on CNBC’s “Squawk Box” talking about his idea for raising taxes on the rich. He said he supports a lower corporate tax rate even if it “means many others will pay more taxes.” “I’m not opposed to that, Berkshire will make billions more.” Berkshire Hathaway is Warren Buffet’s company. Apparently, Obama’s [tax man](#) defines rich as individuals and small businesses who have worked hard to build up a little wealth.

The Framers of the Constitution established a nation based on equality before the law, not equality of income. Equality before the law means everybody plays by the same rules. This is the basis of a competitive market economy based on merit, not privilege. Unchecked financial fraud and the cover up by corrupt politicians, are destroying checks and balances. Before citizens can achieve a sustainable budget, we must first address the legal double standard.

The un-funded mandates of Social Security, Medicare and Medicaid must be reformed for budget sustainability, but job one is re-establishing the rule of law and the rules of capitalism. Too big to fail banks oppose equality before the law and capitalism, they privatize profits, socialize losses and knowingly engage in systemic fraud at taxpayer expense. The Dodd-Frank entitlement program subsidizes Wall Street fraud and is leading us down the road to a fascist state. It’s not plausible to believe these are unintended consequences.

## TOO BIG TO FAIL BANKS

The financial industry term for too big to fail banks is “systemically important financial institutions” or sifi’s. Thomas Hoenig, President of the Kansas City Federal Reserve, recently addressed the problem of sifi’s. As we know, sifi’s privatize profits and socialize losses. Mr. Hoenig said Dodd-Frank did not correct the problem of too big to fail and sifi’s are “inconsistent with the concept of capitalism”. They are also inconsistent with budget sustainability.

Thomas Hoenig spoke on June 27, 2011 at the event sponsored by the Pew Foundation which included the Inspector General for TARP, Neil Barofsky. He talks about Dodd-Frank and says “it’s premature to celebrate” because it did not solve the too big to fail problem. He questions whether sifi’s should exist at all. “How can a large insurance company [AIG] that is failed, be bailed out and be left in private hands to go forward? Having them [sifi’s] and having these events, makes them very inconsistent with the concept of capitalism. They have the availability of different rules. That is why we need to go beyond Dodd-Frank to address this question of too big to fail. We need to end the artificial complexities that come with very large systemically important institutions if we are to restore a more stable financial system.”

“The U.S. has been one of the most successful economies in history because mostly over its history, it has been bound by the rules of capitalism, which does reward success and compels participants to fail when they make poor decisions. That keeps it efficient, keeps it vibrant and keeps it renewed. I think that’s how we objectively allocate credit in this country to the most valued endeavors that have made this country great and built the wealth.”

Mr. Hoenig goes on to explain the evolution of too big to fail institutions. “In the late 90’s we eliminated the Glass Steagall Act which separated out the high risk activities from those that had been protected by the safety net [FDIC] and thus created the incentives for ever increasing risk. With recent failures we’ve confirmed for the world that some institutions are too big to fail, that they were not subject to the same capitalistic standards that everyone else was, and in that instance the sifi was born. It’s no wonder we had this great recession, no wonder, given incentives put in place and ability to grab for risk, lending standards became weaker and leverage increased to twice that it was before the elimination of Glass Steagall.”

“Sifi’s argue that we are pushing too hard on capital standards and it will make

them less competitively viable and keep loans from growing. My answer to that is, it's pretty much nonsense. I don't believe that. Dodd-Frank fails in the most important remedy, this is a remedy like the Glass Steagall Act."

Glass Steagall was enacted in 1933 in response to the 1929 market crash and was repealed in 1999 due to lobbying pressure from Wall Street firms Citigroup and Goldman Sachs. Repealing Glass-Steagall expanded the government safety net (FDIC) to include high risk gambling activities, and thus created incentives for big banks to take irresponsible risks at taxpayer expense. It took only eight years to repeat a market crash similar to 1929. Re-instating Glass Steagall would help eliminate the problem of too big to fail by removing high risk, high leverage trading activities from the government safety net. Call your members of Congress and demand re-instatement.

Mr. Hoenig says the people who run sifi's argue they "need to be too big to fail to compete." Hoenig says this argument is "unconvincing and misleading and it is inconsistent with 200 years of our experience when we've had low concentration in our financial system and one of the strongest economies in the world." He said as recently as 1980, "the U.S. had 14,000 financial institutions competing across the country locally, and very large institutions that provided credit for the largest firms on an international basis."

President Hoenig said, "In 1980 the largest 5 institutions controlled about 29% of deposits/assets equivalent to 14% of GDP. But today we have a far more concentrated and far less competitive banking system. Now the largest 5 banks control 50% of deposits/assets equivalent to 60% of GDP and the largest 20 banks control over 80% of deposits/assets equivalent to over 80% of GDP." He said this has led to the "terrible crisis we had recently and may have again if we don't correct things." We must break up the big banks.

In my opinion, Thomas Hoenig's remarks and solutions are critical for restoring economic growth, budget sustainability, and the rules of capitalism. Please click on the link [pew financial reform project](#) and in the video playlist click on "Thomas Hoenig Lunch Keynote", then listen/watch for yourself.

The continued threat of too big to fail banks was discussed during a Senate Budget Committee hearing on August 3, 2010. One of the people testifying was Simon Johnson, former chief economist for the International Monetary Fund (IMF). At 30min/29sec into the hearing Mr. Johnson talked about the budget outlook and **said** "I'm very concerned that a major fiscal issue is



completely missing. This is the contingent liabilities created by our financial sector and the risks that, in my opinion and the opinion of many, are caused by the continued existence of under capitalized banks that have an incentive to take very big risks and are, in the language some people like, too big to fail.”

Mr. Johnson said the budget liabilities represented by big banks should be scored similar to the CBO methodology for scoring IMF liabilities. He said “We’re not scoring in the budget according to CBO methodology in any way, the contingent liability, the damage to the government budget that would arise from a future financial crisis.” Johnson cited JP Morgan CEO Jamie Dimon and former Goldman Sachs CEO Henry Paulson who said the next financial crisis will occur in three to seven years. They made that comment two years ago. Simon Johnson said this represents a “short term risk to the budget.”

Ranking Republican Judd Gregg said to Mr. Johnson, “let me ask you about the issue of scoring the contingent liabilities of the financial system correctly. I’m presuming you want to mute this issue by raising capital standards.” Mr. Johnson explained his position and concluded saying “I think we should score the liability relative to the risk it poses, that’s your standard procedure for all contingent liabilities.” Judd Gregg responded, “Well, we don’t score a lot of things around here.” Johnson **replied**, “But this is 40% of GDP [5.6 Trillion] that’s a pretty big one and not scoring that one would be a mistake.” It’s not a mistake, politicians are knowingly engaged in Enron style accounting fraud.

Neither Judd Gregg or Budget Chairman Kent Conrad disagreed with Simon Johnson’s analysis of the budgetary risk posed by too big to fail banks. The U.S. GDP is 14 Trillion dollars and Dr. Johnson says the contingent liability to the budget is equal to 40% of GDP, which is 5.6 Trillion. This 5.6 Trillion liability, and the Fannie and Freddie liabilities, are being kept off budget by Conrad and Gregg. It’s time to march these criminals out of the Capitol in handcuffs! You can hear these comments at [budget.senate.gov/democratic/](http://budget.senate.gov/democratic/), scroll to the bottom of the screen and click on “committee hearing”. You will see “browse by month and year”, enter August 2010 and click on “8-3-10: A report on the economy”. Or click on this link, **Status of the U.S. Economy**.

Simon Johnson is a former chief economist for the International Monetary Fund. He is currently a member of the Congressional Budget Office council of advisors and professor of entrepreneurship at M.I.T.’s Sloan school of business. Dr. Johnson spoke on CSPAN about his book “13bankers”, he said “there is no market economy” in the U.S. The few hundred people who run

the six largest banks have “captured the state”, and big banks have the power to “extort” money from government. Watch his speech at [13bankers.com](http://13bankers.com).

Mr. Johnson and Mr. Hoenig’s concerns were echoed in a Senate Banking sub-committee hearing on financial institutions and consumer protection. The hearing was held on August 3, 2011. The subcommittee was chaired by Senator Sherrod Brown, the following is part of his opening [statement](#)

“The CBO [Congressional Budget Office] estimates the entire cost of rescuing our failing banking system, the bailouts, decreased tax revenues, new spending programs in response to the troubled economy, and interest payments, will cost our nation some 8.6 TRILLION dollars. That’s more than 57% of our GDP. We can’t allow collective amnesia to obscure the role that excessive financial sector debt played in causing the deepest recession since the great depression and that really is the purpose of this hearing.”

“The implicit assumption that government will backstop their losses, gives companies an incentive to engage in what economists George Akerloff and Paul Romer have called **LOOTING**. Companies can risk bankruptcy at the expense of society rather than bearing the losses themselves. The biggest banks are often bigger than before. Prior to 2006 the ten largest banks held 68% of total bank assets. By the end of 2010 they held 77% of total banking assets, simply put, were there another economic calamity, bailing the banks out again would impose an even higher cost on taxpayers. This is not capitalism in any sense of the word.” The appropriate word was looting.

“The easiest way to prevent the need for future bailouts is simple, requiring banks to hold and increase capital reserves. Capital buffers simply require banks to fund themselves using their own money instead of other people’s money. Last Tuesday the ranking [Republican] member of the full committee, Senator Shelby, said one of the lessons of the financial crisis should be the importance of maintaining strong capital requirements, especially for large global banks. I couldn’t agree more.”

Edward Kane from the F.D.I.C. was testifying before the committee. This is part of his opening [statement](#) starting at 16min/50sec into the hearing.

“During the housing bubble in our representative democracy, the interests of foreign and domestic financial institutions were much better served than the interests of society as a whole. But why were taxpayer interests poorly represented? It was because of regulatory capture. The financial industry

sewed huge loopholes into the capital requirements and the regulatory definition of risk that, then and now, are supposed to keep financial instability in check. The Dodd-Frank Act left many issues open. It did not try to define systemic risk or try to confront the ongoing foreclosure mess of Fannie and Freddie disasters.” [Fannie and Freddie were excluded from Dodd-Frank]

Mr. Kane went on to define the systemic risk represented by big banks and what it means to taxpayers. 22min/45sec. “Elite institutions use financial accounting tricks and innovative instruments to hide risk exposures and accumulate fresh losses until their insolvency becomes so immense that they can drive regulators into a panic and EXTORT life support from them. So in good times and bad, the existence of this taxpayer put [backstop] allows elite private institutions to issue the equivalent of government debt, and makes ordinary citizens uncompensated equity investors in such firms.”

“My recommendations for regulatory reform are rooted in the straight forward ethical contention that protected institutions and regulatory officials owe fiduciary duties to taxpayers. The existence of the safety net makes taxpayers silent equity partners in major financial firms, not only are they silent partners, they are uncompensated, or poorly compensated partners. So as defacto investors, taxpayers deserve to be informed at regular intervals about the value of their side of the taxpayer put”, i.e., taxpayer liability.

“Consistent with U.S. securities laws, managers of important financial firms should measure and report under penalties of deception and negligence, the value of taxpayers stake in their firm with the same quarterly frequency that they report to stockholders, and government officials should examine, challenge, aggregate, and publicize this information. My conception of systemic risk clarifies that, it is embodied in a COERCIVE option like equity investment by taxpayers in the firms the safety net protects.”

Mr. Kane is a senior fellow of financial research at the F.D.I.C., which Dodd-Frank has given permanent resolution (bailout) authority. Mr. Kane said big banks use “financial accounting tricks” to EXTORT life support from regulators, which then becomes a COERCIVE option like equity investment by taxpayers in the firms the safety net (FDIC) protects. In the beginning of his opening statement, Mr. Kane said taxpayer interests were very poorly represented because of “regulatory capture.” Simon Johnson states that the six biggest banks have “captured the state.” 49min into the hearing Mr. Kane said, “larger institutions can hire better lawyers, accountants and lobbyists”,

and as a result, “a lot of riskier assets are not being counted in the system.” Our laws/regulations are made by tyrants who intend to destroy representative government by manufacturing financial shocks that undermine sovereignty.

Mr. Kane explained why it’s hard for regulators to crackdown on politically influential financial firms and he proposed changes. 18min/40sec. “The first step would be to strengthen training and recruitment for top regulators. As you know, most top regulators leave behind them, under current appointment procedures, a trail of political debts they have to service. If it were up to me, I would establish the equivalent of an academy for financial regulators and train cadets from around the world. Among other things, students would be drilled in the duties they owe the citizenry, and how to overcome the political pressures elite institutions exert when, and as, they become undercapitalized.”

Joseph Stiglitz from the Securities and Exchange Commission also testified. 45min/35sec. into the hearing he **said**, because of their implicit government guarantee, “too big to fail banks can get access to capital at a lower cost” than community banks. “Too big to fail banks don’t focus on lending to SME’s [small and medium sized entities]. So the parts of the financial sector that are involved in lending to small and medium sized entities are relatively starved of funds relative to big banks that are engaged in more speculative activities.”

Because of this, “the economy gets distorted in several ways.” “If you have a government guarantee, you are more willing to undertake greater risk, so rather than lending based on solid information to SME’s, you start going into non-transparent CDS’s and engaging in speculation. Knowing that if you gamble big and win you walk off with the profits, but if you gamble big and lose, the taxpayer picks up the losses. This isn’t capitalism. This is really undermining the functioning of a market economy.” At 50min/15sec. Mr. Stiglitz said TARP and Dodd-Frank subsidize “non-transparent over the counter gambling.” “The American people were told that the reason for TARP was to get lending started but that never happened.” Bait and switch.

Paul Pfleiderer, a Stanford University finance professor also testified. He **said** the ratings agency “Moody’s announced that Bank of America’s credit rating is five notches above what it would be without government support. Government support has moved Bank of America’s debt from a minimum investment grade up to very high quality”. He recommended “higher capital requirements” for big banks whose capital reserves are only increasing on paper. Click on the link **Paul Pfleiderer** to watch the entire hearing.

In Sherrod Brown's opening statement, he said the CBO estimates the banking system rescue will cost taxpayers 8.6 Trillion. Some say this is a rosie scenario. Oct. 25, 2011 in a House financial services subcommittee on international monetary policy and trade, Desmond Lachman, former deputy director of the IMF said the U.S. financial sector has "huge exposure" to European Union (EU) debt. He said U.S. money market funds own one trillion of EU bank debt and U.S. banks own one trillion of EU sovereign debt. Mr. Lachman said CBO's projections present a "rosie scenario" because they're not based on the effect an EU recession will have on U.S. growth.

The U.S. taxpayer is backstopping TRILLIONS of dollars of foreign and domestic debt held by too big to fail banks. This is the main reason the U.S. credit rating was downgraded by Standard and Poors. The credit ratings of Wall Street banks go up because government is guaranteeing their debt, as a result, the U.S. credit rating drops. This is why it is critical to decouple the U.S. Treasury from the liabilities of big banks. Reinstating Glass-Steagall is the first step. This will protect the Treasury from future liabilities. Step two is telling Wall Street they will have to be responsible for their current debts. If and when they fail, it may cause a global depression. If citizens do not stand up to Wall Street, in spite of the possibility of a global depression, they will control our Treasury and crush U.S. sovereignty, that's their plan.

Freedom isn't free, citizens have to be willing to call Wall Street's bluff.

## THE U.S. AND EU DEBT CRISIS

The U.S. and European Union (EU) debt crisis are essentially the same. August 2011, TIME magazine ran a cover story on the collapse of Europe. The article stated that German banks "leveraged junk assets 50 to 1." The junk assets were primarily mortgage backed securities, the same junk assets U.S. banks leveraged 50 to 1. The same method Wall Street used to extort trillions from U.S. taxpayers is being used against EU taxpayers, i.e., give us unlimited access to your Treasury or we will cause a global depression.

Politicians, investors and media blame the European "PIIGS" (Portugal, Ireland, Italy, Greece, Spain) for the EU debt crisis but this is propaganda. Like U.S. taxpayers, EU taxpayers have been misled by an insider cabal of politicians and bankers who've run up huge debts without informing citizens of the risk. It's an intentional, treasonous attack on the sovereignty of Western representative governments. Simon Johnson spoke at UC Santa

Barbara on May 16, 2011. He said CEO's of the six biggest US banks drew "2.6 billion in cash" out of their banks "before" the 2008 financial collapse. Hmm?? Mr. Johnson was clearly suggesting foreknowledge of the crisis.

Huge debts owed by big banks are used to create a crisis that forces legislation like TARP and Dodd-Frank on taxpayers. Dodd-Frank is permanent executive branch bailout authority, future bailouts will not require a Congressional vote. This legislation has severely compromised the sovereignty of U.S taxpayers. Blaming average citizens for the crisis is an attempt to cover up the treasonous actions of politicians and big banks.

Aug.8, 2011 Kyle Bass, portfolio manager for Hayman Capital Management was on CNBC's "Strategy Session". He was asked if European banks have enough capital. He said the EU "doesn't have the money to re-capitalize their banks because they don't have the ability to print money like we do." Kyle was referring to the Fed buying over 2 Trillion of toxic assets from banks and injecting 16 Trillion of near 0% loans into the global banking system.

Aug. 11, 2011 on CNBC's Power Lunch, analyst Bob Pisani said "they [EU banks] need a crisis to get these deals thru Parliament and they're getting the crisis they wanted." The crisis was created by bond vigilantes making a speculative attack on Italy's sovereign debt. This caused the interest on Italy's debt to go up 200 basis points (2%) overnight which pushed Italy to the brink of insolvency. The deals sought by EU banks were European Central Bank (ECB) monetization of bank debt, i.e., printing money and loaning it to banks for free, and a taxpayer bailout similar to the U.S. TARP. With a little help from their friends the bond vigilantes, big banks were able to extort the concessions they wanted from the sovereigns. Organized crime is in charge.

Sept. 22, 2011 on Squawk Box, Steven Roach, Chairman of Morgan Stanley Asia said, German Chancellor "Angela Merkel is concerned about sovereign independence" if the EU TARP goes forward and Greece is also concerned about "giving up sovereignty." Roach said the strategy isn't sustainable and "banks have mismanaged risk." Bank risk is being shifted to sovereigns.

Oct. 20, 2011 Mark Grant from Southwest Securities was on Squawk Box and said EU banks "can sink the sovereigns", it will take "10 to 12 Trillion dollars to recapitalize the banks." EU banks are putting pressure on German taxpayers to fund most of the bailout with an EU TARP. The EU bailout is called the European Financial Stabilization Fund (EFSF), and it isn't

sustainable because wealthy EU countries are not willing to put up the 10-12 trillion dollars necessary to recapitalize banks and stabilize sovereign debt. EU banks and investors want the ECB to monetize their debt, i.e., print unlimited amounts of money like the Fed. This shifts bank debt onto the backs of sovereigns and individual taxpayers, a.k.a., bank deleveraging.

James Bullard, President of the St. Louis Fed was asked about this on Squawk Box, Nov. 17, 2011. Fed boot licker and money printing expert Steve Liesman asked Bullard, “should the ECB monetize the debt?” Bullard replied, “the ECB is already buying sovereign debt, this is a complete violation of the [Maastricht] treaty.” Liesman’s response was, “treaty shm treaty” the ECB should print money. Liesman has no regard for the law, the sovereignty of nations, or the rights of individual sovereign citizens.

Steve Liesman is CNBC’s Fed expert and one of their regular analysts. He and other CNBC hosts, Melissa Lee, Andrew Sorkin, Michelle Cabrera, Jim Cramer, Larry Kudlow, Bob Pisani, Rick Santelli, Becky Quick, all squeal like stuck pigs when talking about big government spending programs for irresponsible citizens. But when markets start to drop, everyone of them supports the Fed and ECB printing money like drunken sailors, as well as government stimulus. Why? The unlimited printing of money and government stimulus is the only thing propping up the house of cards a.k.a. global banks and the global stock market, and by extension their useless parasitic careers. Most of the CEO’s, portfolio managers and investment fund managers they interview spew the same bulls###. They blame average taxpaying citizens for not living within their means, then advocate dumping trillions of bank debt on them in violation of the law. It’s the free market.

The Maastricht Treaty prohibits the printing of money by the ECB because the taxpayers of wealthier EU nations would end up bearing most of the cost. Just like U.S. taxpayers will bear the cost of the Fed’s toxic asset purchases and 16 Trillion dollar cash injection, much of it into foreign banks. This is a gross violation of the Fed mandate and the financial crisis was used as a pretext to violate the law, likewise, the EU debt crisis is used as a pretext to violate the Maastricht Treaty. **Goodbye sovereignty, hello austerity.**

Sept. 23, 2011 the president of Egan Jones ratings firm was on Squawk Box. Sean Egan said Germany should make up for a “1.5 Trillion euro shortfall” but German “recollections of the Weimar Republic and its currency collapse” are preventing this from getting done. Egan said the U.S. will be involved in

the solution and suggested sending former Treasury Secretary Paulson over to Europe. Paulson engineered TARP and supports the Fed's printing of 16 Trillion to prop up the global banking system, so Egan clearly isn't worried about **collapsing** the U.S. dollar. He ended his commentary saying, the problem with the EU is "they are behaving like separate nation states." The U.S. and EU countries are separate sovereign nation states but Mr. Egan sees this as a problem, as do most big players in global financial markets.

When St. Louis Fed President James Bullard was on Squawk Box, he talked about the speculative attack on Italian debt and resulting interest rate spike that pushed Italy to the brink of insolvency, overnight. He **said** "one day it will come to the U.S.", we will have trouble borrowing in international capital markets. It's not a coincidence that Communist China is the largest external holder of U.S. debt. Communist China will be the **bond vigilante** leading the speculative attack on U.S. debt. If interest rates go over 6% on America's 15 Trillion national debt, like they did in Italy, the U.S. will be on the brink of insolvency. This manufactured crisis will be used to force radical cuts in defense, Medicare and Social Security, which will free up money for interest payments to China and the Wall Street entitlement program, Dodd-Frank.

Washington gridlock is pure political theatre, it's a put on. The super committee that was supposed to deal with the debt problem was designed to fail. The leadership of both parties describe the US government relationship with Communist China as a "partnership." Bi-partisan leaders and their **commie bankers** want U.S. sovereignty crushed so they can continue building their command and control, centrally planned, "free" market global economy.

#### AMERICAN AND CHINESE COMMUNISM, A "PARTNERSHIP"

Dodd-Frank created the Consumer Financial Protection Bureau (CFPB). The alleged purpose of the CFPB is to protect consumers. However, Rep. Sean Duffy **said** the original name of Dodd-Frank was the "Wall Street Reform Act", but it's becoming the "Main Street Reform Act." He said Dodd-Frank was supposed to fix what was wrong with Wall Street, not main street's community banks and credit unions. Sean said his small banks in Wisconsin did nothing to cause the financial crisis, but now they're "hiring more compliance officers and paying more administrative fees." Rep. Mike Grimm from New York **said** small banks in his district feel they are being punished for following the rules while doing nothing to cause the financial crisis. Rep. Manzullo **said** small banks are bearing the brunt of regulations.



The purpose of Dodd-Frank is to put small banks out of business and create more market share for Wall Street. This is the result of regulatory capture.

Large banks and multi-nationals can shift the cost of regulation to small business and consumers. This is the intent of financial, environmental and other regulatory reforms like Obamacare. They drive out competition and produce a command and control, centrally planned economy. General Electric's CEO Jeffery Immelt is Obama's job czar. Immelt wants a carbon tax to fund his green energy and smart grid at taxpayer expense. Goldman Sachs wants Cap & Trade. It's all about privatizing profits and socializing losses for too big to fail, crony crapitalists. It's commie CRAPITALISM!

Nov. 14, 2011 Warren Buffet was on CNBC's "Squawk Box". He was interviewed by host Becky Quick who said, I've been to China with you, it's much easier to get things done there. Buffet said, "That's for sure." Quick said "Central planning is a big boost" to U.S. companies in China. Buffet said "When the [communist] government, business and labor get on the same page, they can build things much faster." Buffet is a commie control freak.

Buffet said he had recently talked to convicted felon/lobbyist Jack Abramoff. After a 3 year prison sentence he's rubbing shoulders with Warren Buffet. Isn't that special. Buffet said Abramoff talked about "the incredible power of lobbyists." Buffet went on to say "if there is a class war, it's the rich (he pointed to himself), we are the ones who are waging it, the lobbyists are our soldiers." The average person just has "little toy soldiers." Buffet recently invested ten billion dollars in socialist/communist too big to fail banks Goldman Sachs and Bank of America. He also owns Burlington Northern Santa Fe railroad, another industry heavily subsidized by the government. August 15, 2011 Buffet appeared on the "Charlie Rose" show and said "I don't have a tax shelter. The Congress has been my tax advisor, they are taking care of me." **Buffet's idea of a free market** is big govt. socialism.

Sept. 23, 2011, former General Electric CEO Jack Welch was on CNBC's "Squawk Box". He said "I want the blessing to run the U.S. government like a corporation." "They [Communist China] run their government like a corporation, they can do anything they want." Jack Welch endorsed Mitt Romney to run the U.S. government like Communist China. A corporation is literally a dictatorship, I am part of a family owned corporation but I don't want to live in a communist/fascist style dictatorship. Neither did our founding fathers. They fought a revolution to defeat the public/private

partnership between the King of England and his private sector cronies.

On Dec. 1, 2011, Rush Limbaugh spent most of his show talking about an article in the Wall Street Journal. It was titled “**China's Superior Economic Model**” and was written by Andy Stern, former president of the Service Employees International Union. Rush blamed Obama and unions for being communist sympathizers. Obama and some union leaders are, but the article was based on statements by the founder and chairman of Intel, Andy Grove. Grove said, “there may be room for a modification that is even better” than market capitalism. Communist China has “demonstrated that a plan for job creation must be the number one objective of state economic policy”. It sounds like Andy Grove is another CEO in favor of commie crapitalism.

Rush Limbaugh insists that his hero, the late Steve Jobs, was a capitalist. I disagree. When Jobs moved Apple’s manufacturing to Communist China he partnered up with Foxconn, which is owned by the Communist government. The Chinese government requires a 51% controlling interest in all foreign companies doing business in China. Warren Buffet, Jack Welch, job czar Jeffery Immelt, Andy Grove, Steve Jobs, **Bill Gates**, Andy Stern, too big to fail banks, they all support the concept of a centrally planned, command and control economy in the United States of America. This is not capitalism.

If Rush Limbaugh really is a capitalist, he would point out that big business and big government have become the same thing. Instead, he defrauds the Republican base with his bogus big government vs. big business argument. By doing so, he does more damage to American capitalism, exceptionalism and sovereignty, than any other commie crapitalist in the media. Rush says the E.I.B. network stands for Excellence In Broadcasting. As a conservative capitalist and patriot, I think it stands for Excrement In Broadcasting.

U.S. leaders repeatedly tell citizens that America is “competing” with China, but the facts indicate otherwise. June 21, 2011 CSPAN2 aired a discussion on “Chinese Foreign Direct Investment” in America. Derek Scissors from the Heritage Foundation and Daniel Rosen from the Peterson Institute for International Economics were the speakers. Mr. Rosen said “American telecom companies have built the Chinese telecom industry” and “American auto companies are building the Chinese auto industry.” U.S. taxpayers have bailed out the auto industry and now they’re building China’s auto industry. Hmmm?? And this is competition? No way, it’s the U.S. taxpayer being used to subsidize the Communist economic model, not competition.

Derek Scissors **said** China wants to diversify out of U.S. Treasuries and we should sell them coal, gas and land. Communist China doesn't even allow it's own people to own land, but the Heritage Foundation advocates letting them own U.S. land and it's energy reserves. Derek says selling U.S. land and energy to communists can be used as "positive leverage" to change China into a market based economy. He's either insane or lying. 3COM is a U.S. company with classified Pentagon contracts and he **said**, "I don't care" about the sale of 3COM to Huawei, a Chinese SOE (state owned entity) with ties to the Chinese military. Derek says selling U.S. land and energy to China will bring lots of Chinese SOE's here, but that's okay if we get something in return politically. He wants to exchange U.S. sovereignty for political trinkets.

The Committee on Foreign Investment in the U.S. (CFIUS) can approve or reject foreign acquisitions based on national security interests. When Rosen and Scissors took questions from the audience, an attorney who wrote CFIUS law stood up and quoted a 2003 article written by Warren Buffet titled, "Trade deficits are selling the country out from under us". The CFIUS attorney **said** "America is going from a shareholder to a sharecropper economy" and "we are selling America [to Communist China] to finance our trade deficits."

Nov. 7, 2011 on CNBCW's Asia Squawk Box, Martin Lakos from MacQuarie Private Wealth fund was a guest. The discussion was about China bailing out the European Union and the host asked Martin, "Is the EU barking up the wrong tree?" Martin said "No, because of China's large trade surplus, they have money to invest overseas." Conversely, U.S. trade deficits are adding hundreds of billions to the national debt every year because of lost revenue.

America's debt crisis was caused by too big to fail banks and a 600 billion annual free trade deficit. Three hundred billion of the deficit is with China. Trillions of U.S. investment capital, technology and hard assets (factories) have been transferred to China by US multi-nationals who are by definition, loyal to no country. Billionaire leftist George Soros was on CNBC's Closing Bell and **said** EU banks are the largest supplier of credit to emerging markets, the U.S. is second. China is the largest emerging market economy, so US and EU banks bailed out by American taxpayers are financing godless Communist China. They prefer the Communist economic model and are working with China to bring it here. American citizens send trillions of dollars to China to buy manufactured products, then China's Communist government uses that money to buy U.S. debt. Japan finances all of its government debt internally because it doesn't want to give foreign countries and banks leverage over their

economy. US leaders do just the opposite. After being elected President in 1932, FDR said in response to the 1929 market crash, “the moneychangers have fled the Temple”. This was a reference to the Bible story where Jesus Christ made a whip and drove the moneychangers out of God’s Temple. After the 2008 financial collapse, US leaders have given the Temple and its Treasury to anti-Christ **moneychangers**. Debt is used to enslave the world.

Sept. 9, 2011 on Asia Squawk Box, Tim Condon from ING Financials said, if the Federal Reserve does a Quantitative Easing Three (QE3), you will hear a “giant flushing sound of cash washing up into Asian markets.” Nov. 2, 2011 on Asia Squawk Box, Lee Boon Keng from Julius Baer Investments said China’s 9% growth was causing inflation and the main reason growth was overdone in China was QE2, and the biggest threat for more inflation is QE3. Meanwhile, US economic growth is near zero and the real unemployment rate is **15.1%**. It’s not plausible to believe these are unintended consequences.

Oct. 11, 2011 on CNBCW’s Capital Connection, one topic was the U.S. Senate passing a bill to sanction China for currency manipulation. Mark Hibbs, portfolio manager for GEN2 said the yuan is undervalued to create cheaper exports, and as a result, “China is exporting unemployment to the U.S. and other places.” He cited Fed Chairman Ben Bernanke who also admitted China’s currency is undervalued. Show host Bernie Lo said Communist China “hired a lobbying firm at \$35,000 per month to counter the legislation.” The Senate **passed** the bill but House Republican leader John Boehner said he wouldn’t let the bill get to the floor for a vote. It’s treason.

One of the most dangerous lies being perpetrated against the American people is that godless Communism was defeated with the collapse of the Soviet Union. With the help of the Federal Reserve, Wall Street banks, corrupt media, and free trade policies that protect China, communism is on the march in the U.S. and around the world. Communist China holds over a trillion dollars of U.S. debt. This gives communist China leverage over American policymakers and compromises our **sovereignty**. Standard and Poors downgraded the U.S. debt rating on Aug.5, 2011. The very next day Fox news radio reported that Communist China, the largest external holder of U.S. debt, said America “must cut social spending and its giant military budget.”

Meanwhile, China continues an aggressive posture toward the democratic nation of Taiwan and American taxpayers are committed to defending Taiwan if attacked by China. Communist China is also in the process of building up

the world's largest navy, which history proves is the most important component for projecting global military power. Why? Protection of global oceanic trade routes, which is what U.S. taxpayers have been doing for Communist China while they build up their navy. China is also a nuclear power and their military is currently the largest employer in the world.

In Tibet, Burma, the Darfur region of Sudan, and China's autonomous Xinjiang province, China is engaged in cultural and ethnic genocide. Former Secretary of State Collin Powell stated publicly that the murder and displacement of millions of black Christians in Sudan's Darfur region is "genocide". China has a close relationship with the government of Sudan because they are heavily involved in oil extraction from Darfur. June 15, 2011 the BBC reported China is taking the lead in the Shanghai Cooperation Organization (S.C.O.), and described it as the "NATO of the East". S.C.O. members include many states from the former Soviet Union which have "vast energy reserves". Iran and Pakistan are seeking membership in the S.C.O.

May 26, 2011 in a Senate Foreign Relations Committee hearing, Senator Bob Menendez **said** Communist China continues to "share sensitive ballistic missile, chemical and nuclear weapons technology with Iran" and China has "inaugurated a missile plant in Iran". He **said** Taiwan has requested F-16's for defense against Communist China and the U.S. has lost "48 billion dollars and 2 million jobs" due to China's intellectual property **theft**. Sen. Jim Risch **said** Chinese companies are selling nuclear technology to North Korea and Iran and Sen. Jim Webb **said** China is engaged in "transhipments" of missiles and technology from North Korea to Iran, both state sponsors of terrorism.

July 23, 2011, Israeli Prime Minister Benjamin Netanyahu was on Fox's "Mike Huckabee Report". He said Iran is a terrorist nation that has acquired "ballistic missiles capable of hitting the U.S., and they are not for delivering medical isotopes. We know what they are there for." China also protects Iran from U.N. sanctions by using its veto power in the U.N. Security Council. Iran and North Korea are client states of Communist China, the leader of the axis of evil, but US leaders subsidize the Communist economic model with a 300 billion dollar annual free trade deficit. China's Communist government is a serious national security threat to the United States, not a business partner.

Sept. 25, 2011 on CNBCW's "Asia Squawk Box", Peter O'Malley from HSBC, one of the largest banks in the U.K., said Afghanistan is the next frontier in mining. They have a trillion dollars of copper, gold and other

mineral reserves and are the “Saudi Arabia of lithium.” O’Malley said Communist “state owned entities” are mining in Afghanistan and mentioned China Metallurgical and CNPC of China. I’ve also heard reports that oil from Iraq is going to China. We have people fighting and dying to protect our Constitutional freedoms while US leaders are subsidizing Communism and the global economy with our blood and treasure. Commie corporations like General Electric, General Motors, Microsoft, Apple, etc., need Iraq and Afghanistan’s resources to grow Communist China’s industrial economy.

One of the arguments for transitioning America to a “clean” energy economy is the high cost of protecting U.S. global oil supplies. Lithium is an integral part of a “clean” energy economy in America because its used in batteries for electric cars and for the proposed “smart” grid, which will require huge battery banks for storing the intermittent power generated by wind and solar. The mining of lithium is not an environmentally “clean” process and lithium batteries are very toxic, particularly when damaged and exposed to water. Proponents of the imaginary clean energy economy also cry, “no more war for oil”, but we’ve already had a war for clean energy in Afghanistan, the Saudi Arabia of lithium. “Clean” green energy will **grow red China's economy**.

July 18, 2011 University of California Television (UCTV) aired a program titled “Diversity is our Future”. One of the speakers was Ken Hall from the Scripps Institute of Oceanography. He said “half of all doctorate degrees in math, science and engineering are awarded to foreign students, and China and India account for most of the increase of foreign students.” Multi-national companies like Apple and Microsoft work closely with publicly funded universities who educate our “competitors” under the guise of diversity.

America’s education policy, trade policy, energy policy, defense policy, etc., is designed to subsidize the global economy. Globalization is not based on competition, its about designing policies that pick winners and losers in the global economy. America’s representative government and capitalist economy have been picked to lose in order to subsidize Communist China. US leaders support the **Communist economic model** at the expense of our Constitutional Republic because crony capitalism and communism are virtually the same ideology. They are intentionally committing treason. Many people find it hard to believe our leaders would intentionally subvert the rule of law and representative government. Tyrants understand this sentiment and prey upon their citizens desire to trust leadership, but it was willful disbelief that allowed good German citizens to follow Hitler into hell.

## THE ENVIRONMENTAL PROTECTION AGENCY

July 13, 2011 CSPAN aired a “Global oil supply disruption simulation”. The purpose of the simulation was to demonstrate the impact on the US if our Mideast oil supplies were disrupted. Participants included Admiral Dennis Blair, former Directors of National Intelligence John Negroponte and Stephen Hadley, General Charles Wald, former CEO of Shell Oil John Hofmeister, former Bush Press Secretary Ari Fleischer and many other high level officials. The simulation demonstrated that a Middle East oil supply disruption would be catastrophic to the economy and national security of the United States.

Oct. 20, 2011, during Senate proceedings, Senator Inhofe from Oklahoma said “the U.S. has more energy from oil, gas and coal than Saudi Arabia, China and Brazil combined.” The U.S. has vast reserves of domestic oil and gas in shale deposits that can be safely extracted via hydraulic fracturing, i.e. fracing. This would eliminate U.S. dependence on oil from an unstable Middle East, but the EPA is trying to stop fracing. Oil companies have been fracing since 1961 with little or no negative impact on ground water quality. It is not a new technology and 50 years of empirical data prove it is a safe technology. So why is the EPA, after 50 years, trying to stop fracing?

The U.S. Fifth Fleet is stationed in Bahrain to protect the Straits of Hormuz. Seventeen million barrels of oil go through the Straits of Hormuz everyday. **Bahrain** and Saudi Arabia are becoming increasingly unstable and China is using Iran to threaten the West’s mideast oil supply. In spite of these threats, the EPA is trying to severely limit the use of our domestic oil. Are citizens to believe that Obama’s EPA officials are not aware of oil’s crucial role in U.S. national security policy? Plausible deniability is not an option in this case. The only possible conclusion is, the EPA and its’ supporters, including President Obama, are an imminent threat to national security. No oops.

Speaking of EPA supporters, the House and Senate recently confirmed John Bryson as Commerce Secretary. Senator James Inhofe opposed his confirmation on the grounds Bryson supports Cap and Trade legislation. Cap and Trade, and by extension the EPA, has a lot of private sector support as well. Goldman Sachs, General Electric, Exxon Mobil, British Petroleum, Chevron and many others support a CO2 tax and some variation of Cap and Trade. Democrats supported Bryson’s confirmation based on his “private sector experience”. The U.S. Chamber of Commerce even endorsed Bryson for Commerce Secretary. Hmmm??? Senator Inhofe said Cap and Trade,

which is based on fraud, would cost taxpayers “300 billion dollars a year.”

We know global warming caused by manmade CO2 is based on fraudulent “science” because the world’s leading climate research center was caught falsifying global temperature data. One hundred sixty megabytes of e-mails, pdf’s and documents were **hacked** from the Hadley Climate Research Center at the University of East Anglia (England). Hadley’s Director, Dr. Phil Jones, confirmed the hacked data was from his climate research center. Dr. Jones’ personal e-mails revealed he overlaid data showing a decline in global temperature with **false data** showing higher temperatures, to “hide the decline”. Oops! It’s fraud. But the whistleblower is being prosecuted.

Brian Sussman is a meteorologist and founder of the Weather Channel. He wrote the book “**Climategate**” debunking the global warming theory. Check it out. Carbon dioxide (CO2) is a trace gas, meaning it only makes up 33/1000<sup>ths</sup> of the total atmosphere, and of that 33/1000<sup>ths</sup> only 3% is manmade. Humans exhale CO2 and every plant needs CO2 to live. During the age of the dinosaurs, CO2 levels in the atmosphere were 50 times higher than they are now, and life was even more abundant when dinosaurs roamed the earth. And yet, the EPA declared CO2 an **endangerment** to humans, this is criminal.

The Heritage Foundation says the U.S. should sell coal and gas to China. GE wants a CO2 tax. **Chevron** is running ads on CNBC claiming we are exploiting the climate. BP changed its’ name to Beyond Petroleum and has partnered up with UC Berkeley to develop alternative energy. Goldman Sachs wants Cap and Trade. Exxon’s **CEO** supports a CO2 tax. Carbon **sequestration** will place huge costs on coal companies and consumers. What is going on? Fossil fuels are the engine of a successful industrial economy and the U.S. already has some of the cleanest air, cleanest coal plants, and highest emission standards in the world. Apparently, multi-nationals don’t want a Constitutional Republic of, by, and for the people, to dominate the global economy. It’s not a conspiracy theory, it’s a reality we must change.

They are using CO2 regulations to: 1) eliminate competition 2) keep fossil fuel prices high to maximize profit 3) make expensive alternative fuels competitive by raising the cost of fossil fuels 4) create tax revenue to fund alternative fuels research 5) divert fossil fuels to China so the Communist economic model will dominate the global economy. With the help of big government, big energy companies are positioned to monopolize alternative energy markets in Western developed nations and divert fossil fuels to China.



## PATIENT PROTECTION AND AFFORDABLE HEALTH CARE ACT A.K.A. OBAMACARE

June 8, 2011 CSPAN aired proceedings from the **Eleventh Circuit Court** of Appeals on the constitutionality of Obamacare. Twenty six state Attorneys General are suing the Federal Government over the constitutionality of Obamacare. The Obama administration argues that the Constitution's commerce clause gives them the authority to regulate "economic activity", which is true, but there are constitutional limits. Attorneys for the states argue the mandate is unconstitutional because sitting on the couch and deciding not to buy health insurance is economic "inactivity", not activity.

State attorneys said that for "220 years the Federal government didn't over reach by trying to regulate commercial inactivity" and Obamacare contains no "limiting principle" to control future government mandates. This sets a dangerous precedent for the future by implying the Federal government has unlimited authority to regulate every aspect of an American citizen's life.

Obamacare is also a states rights, i.e., Tenth Amendment issue. Obamacare addresses this by giving states the right to opt out, but if a state opts out, they will be required to fund Medicare and Medicaid at the same levels as the Federal government. Attorneys for the states argued this is coercive on the part of the Federal government because few states have enough resources to fund Medicare and Medicaid at Federal levels. It's forced central planning.

UCTV aired economic analysis of Obamacare conducted by economists from UC Berkeley and Stanford. They concluded that Obamacare would substantially increase the cost of health care and health insurance. The actual title of Obamacare is the "Patient Protection and Affordable Health Care Act". So in my opinion, Obamacare is not only unconstitutional and coercive, it is fraudulent based on its claim deliver affordable care. And given the fraudulent claim to deliver "affordable health care", Obamacare certainly isn't going to deliver on its' claim of "patient protection." Oops!

It's unlikely the Supreme Court will declare Obamacare unconstitutional so it should be repealed or de-funded by the House of Representatives. During the week prior to the Senate passage of Obamacare, even the former DNC chairman, Dr. Howard Dean **said** the bill should have been "killed" because it was "written by Democrat staffers on behalf of insurance companies". This is why the "private" health insurance industry is not opposing Obamacare.

The solution would be to provide health care like public utilities provide electricity. Public utilities were set up to provide electricity because it is considered an “essential service.” If left in private hands, poor people and small businesses could be priced out of the electricity market, so public utilities were set up and they have served individual and commercial interests exceedingly well. They deliver cost efficient, high quality products and services that benefit society as a whole. These same principles should be applied to the health care industry. Using illness and injury to maximize profits on a balance sheet is immoral and economically harmful to society.

Unfortunately, the operational model of the health care industry is based on the same corrupt business model as too big to fail banks. Like financial, environmental, defense, energy and other policies, health care policy is being used to milk the economic productivity of our Constitutional Republic.

Representative government depends on the informed consent of the governed. But left vs. right policy arguments are designed to divide and conquer citizens via misinformation. Both political parties use misinformation (spin) to manufacture a false consent that produces illegitimate policy. It’s fraud.

## IMMIGRATION POLICY

President Ronald Reagan signed the Immigration Reform and Control Act into law Nov. 6, 1986. Also known as the Simpson Mazzoli Act, the law gave amnesty to approximately 3 million illegal immigrants. Now, the U.S. has an estimated 12 million more illegal immigrants residing in the country.

Clearly, Reagan’s immigration reform created an incentive for more illegal immigration. Was it compassionate to encourage millions of men, women and children to risk their lives to come here illegally? Was it compassionate to encourage them to live in legal limbo once they arrived? I don’t think so. How many people have died crossing deserts and oceans because of the incentives provided by Reagan’s 1986 immigration reform? Thousands I’m sure. The compassionate thing to do is consistently and fairly uphold the law so potential illegal immigrants are deterred from coming.

Repeating the 1986 reform act would only make the problem worse. Think about it as an individual; how many people can you take into your home before living conditions deteriorate for everyone? There is a limit on the national level as well. A nations first responsibility is to its’ legal citizens.

The Wall Street Journal has for years, editorialized in favor of amnesty and illegal immigration. Why? Political leaders say that as a result of outsourcing the U.S. manufacturing base, free trade will turn America into a “low wage service economy”. Illegal immigrants work for low wages and drive down the wages for others. Then, politicians and their Wall Street pimps, whose policies intentionally cause economic decline, use illegal immigrants as scapegoats. It’s the old divide and conquer routine.

The compassionate policy would be to announce there will be no more amnesty, then begin a long term deportation plan focused on those with criminal records other than being here illegally. Put more resources into helping productive individuals become citizens while reducing programs catering to illegal immigrants. This provides an incentive for those serious about becoming legal U.S. citizens and deters those considering illegal entry.

#### DEPARTMENT OF DEFENSE (DOD) & STATE DEPT. SPENDING

In 2008, five years after commencing two wars, the Commission on contracting in Iraq and Afghanistan was created to investigate “wartime contracting, waste, fraud and abuse.” The Commission presented it’s conclusions before the House Oversight and Government Reform Committee. I watched it on CSPAN Oct. 8, 2011, but I think the hearing was held 10-4-11.

Both Republican and Democrat committee members were disgusted by the Commission’s report which estimated 30-60 billion dollars has been lost to waste, fraud and abuse. Commissioner Chris Shays **said** those engaged in fraud are committing “treason”. Rep. Elijah Cummings **said** “30 cents of every dollar” has been lost to waste, fraud and abuse. The wars are projected to cost 1-2 Trillion so the Commission’s estimates are quite conservative. No bid contracts, a lack of competition, buddy buddy relationships between agency Inspectors General (IG’s) and contractors, executive branch irresponsibility, and party leaders “giving the military a pass” were cited as the causes of waste, fraud and abuse. I would add lack of media coverage.

Republican Jason Chaffetz from Utah said IG’s from the DOD, State Dept. and USAID are “**failing**”, and the US has engaged in 56 ventures since 1962 so there is “nothing new” about conducting oversight. Later he **said** the backlog of un-audited contracts stands at “558 billion dollars” and it will “exceed one trillion dollars by 2016.” Currently, “**58 thousand contracts**” awarded between 2003 and 2010 still need to be reviewed and and closed out.

Commissioner Zakheim said contractors were using personnel one-fifth of the time and being paid full time. Contracts have not been properly audited for years so “taxpayers are hit with a **double whammy**” because first they are overcharged and second, they continue to pay private companies on contracts that have not been audited and closed out. Ain’t privatization great! In most cases private enterprise is best, but the government is constitutionally required to provide for national defense. Contracting this responsibility out to private companies creates more costs and corruption, not efficiency. Commissioner Zakheim said the use of **human trafficking** is quite extensive and contractors “hold on to their passports and essentially lock them up as prisoners, it’s virtually slave labor.” We need to lock up some contractors.

Freshman rep. Raul Labrador, (R., Id.) had been to Afghanistan and said “we’re not just mismanaging, **we're wasting**”. He was “frustrated” because members of his own party say “we can’t do anything about fraud, waste and abuse in the military.” Rep. Gerald Connolly **said** outside contracting had quadrupled but auditing and oversight ability had only been increased by three percent, and a small investment in auditing capability over the 3% would pay big returns. We should also be prosecuting traitorous fraud.

Rep. Chaffetz said “we are drawing down forces but building up through private contractors”, and they are essentially a private army ostensibly under the control of the U.S. Ambassador and State Department, but with no real accountability. Rep. Chris Murphy agreed and **said** taxpayers will be paying for Afghan security forces much longer than the American people understand. After the U.S. pullout from Iraq, 17,000 contractors will be there indefinitely.

Comm. Zakheim **said** “money is coming off the trees” in Afghanistan because the US government spends more money there than the entire Afghan budget and GDP. Comm. Tiefer **said**, “Kuwaitee’s took us to the cleaners” building the Baghdad Embassy and we should’ve been growing American businesses instead of foreign. Comm. Shays **said** President Obama’s DOD and State Department response to the Commission report was, we are “comfortable with these contracts and we are at war.” I hope they are comfortable in jail.

This wasn’t part of the hearing but it’s worth mentioning. Afghan President Hamid Karzai’s brother, Ahmed Karzai, was on the CIA payroll for 8 years until his death in July 2011. Ahmed was believed to be involved in the opium and heroin trade and was known to have lived rent free in the home of Haji Azizullah, an international drug trafficker. Major General Michael T.

Flynn, senior military intelligence officer in Afghanistan, disagreed with this policy and said, "If we are going to conduct a population centric strategy in Afghanistan, and we are perceived as backing thugs, then we are just undermining ourselves." And politicians say they support the troops?

I believe there's a connection between U.S. policy to look the other way regarding waste, fraud and abuse, Afghanistan's multi-billion dollar opium/heroin trade, and the lack of border enforcement with Mexico. Oct. 19, 2006, former assistant HUD secretary, Catherine Austin Fitts, gave an interview on Jefferson Public Radio in Ashland Oregon. She worked at HUD during the Bush 41 administration under HUD secretary Jack Kemp. She said "HUD is being run as a criminal enterprise" and "it can't be run as a criminal enterprise unless intentionally run that way." She said "there's no government, only large defense contractors and large banks who run a government mechanism" and cited a Justice Department spokesman who said "500 billion to a trillion dollars" of fraud and drug money is laundered through the New York Stock Exchange every year. Follow the money.

Fitts named two U.S. multi-nationals, RJR and KKR, who were implicated in money laundering for the Russian mafia and South American drug cartels. She said the EU was taking legislative action against them on behalf of 11 European nations, but the U.S. Justice Department was doing nothing. Prior to the US invasion of Afghanistan, Colin Powell praised the Taliban for nearly eliminating the opium and heroin trade, which again thrives in Afghanistan. President Dwight D. Eisenhower warned American citizens about the threat posed by the US military industrial complex. Apparently, he was right.

## A BREIF OVERVIEW OF U.S. MONETARY POLICY

Article 1 Section 8 of the Constitution states, "The Congress shall have power to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."

The following text is from the World Book Encyclopedia, copyright 1969, under the "Federalist Party" heading: After George Washington became President, a political division soon appeared between those who favored a strong federal government and those who opposed it. The Federalist Party developed under the leadership of Alexander Hamilton, Washington's secretary of the treasury. Hamilton believed that the Constitution should be loosely interpreted to build up federal power. He had aristocratic views and

favored the interests of business groups. He wanted to place the new federal government on a sound financial basis, and sponsored a national bank.

Thomas Jefferson opposed Hamilton. Jefferson's followers called themselves Republicans. Historians often use the name Democratic-Republicans for Jefferson's party. The Democratic-Republicans believed that the Constitution should be strictly interpreted, and that the states and the citizens should retain as many of their powers and rights as possible. The Federalists controlled the government until 1801 when Thomas Jefferson became President. (end of excerpt)

Thomas Jefferson and the original Republican Party wanted a democratic Republic. They believed the Constitution should be strictly interpreted so states and citizens could retain as many of their powers and rights as possible. Citizen's and state's rights are the foundation of a democracy. Alexander Hamilton and the Federalist Party believed the Constitution should be loosely interpreted to build up the power of the federal government. Hamilton's decision to create a privately owned national bank, with authority to control the currency and loan money to government at interest, was intended to expand the power of the federal government under the guise of privatization. Today's Republican leaders are big govt. Federalists in republican clothing.

The following World Book text is found under the heading "Bank of the United States": Thomas Jefferson viewed a national bank as a powerful financial monopoly, dangerous to American freedoms. Some congressman doubted the constitutionality of such a bank. But in spite of opposition, a charter was granted and the bank opened its doors in Philadelphia in Dec. 1791. The government sold its stock in the bank in 1802 at a good profit. But many persons still opposed the bank. Its' charter was not renewed and the bank ceased to exist in 1811. The end of the War of 1812 found the United States with a gravely disordered currency. Many persons hoped a second Bank of the United States would remedy this. The second bank began in 1816 with capital of 35 million. The government again owned one-fifth of the capital, 7 million dollars. (end of excerpt)

The following World Book text is found under the heading "Jackson, Andrew", subsection, The Bank of the United States: Andrew Jackson's fight against the [second] Bank of United States became the major issue of his first administration. In 1816, Congress had granted the bank a 20 year charter. The bank, although privately owned and managed, had authority

over the currency system of the United States. Jackson disliked the bank for economic as well as political reasons. He thought the law that created the bank was unconstitutional. He criticized the bank for failing to create a “uniform and sound” currency. Jackson also attacked the bank as a monopoly. He said its vast powers threatened democratic government. In the summer of 1832 Congress passed a bill re-chartering the bank. Jackson promptly vetoed the bill. On July 13, 1832 Congress upheld the veto. (end)

Thomas Jefferson, in an 1816 letter to John Taylor said, “I sincerely believe with you, that banking establishments are more dangerous than standing armies, and that the principle of spending money to be paid by posterity in the name of funding, is but swindling futurity on a large scale.”

Thomas Jefferson and Andrew Jackson’s distrust of banks was based on the tyrannical banking system that had come to dominate Europe. In 1804, Nathan Mayer Rothschild established his family’s bank in London. While head of the N.M. Rothschild bank in London, Nathan said “I care not what puppet is placed on the throne of England to rule the Empire on which the sun never sets. The man who controls Britain’s money supply controls the British Empire, and I control the British money supply.” Nathan’s father, Mayer Amschel Rothschild said “Let me issue and control a nation’s money and I care not who makes its laws.” Tyrannical bankers despise the law.

Think about it. The Constitution gives Congress the power to print and circulate money. Why would the government (taxpaying citizens) want to charge itself interest on debt by borrowing from private banks? Instead of using Constitutional power to control the money supply, the US government borrows money from, and pays interest to, Communist China, the Fed, foreign banks and bond speculators. The Federal Reserve controls U.S. currency and is a private bank like the one created by Alexander Hamilton. Alexander Hamilton is alleged to have been working with the Rothschild family to set up the first privately owned central bank in America.

The following is an excerpt from President Lincoln’s monetary policy found in the U.S. Library of Congress, No. 23, 76<sup>th</sup> Congress, 1<sup>st</sup> session, page 91. “The government should create, issue and circulate all the currency. The privilege of creating and issuing money, is not only the supreme prerogative of the government, but it is the governments greatest creative opportunity. By adoption of these principles, the taxpayers will be saved immense sums of interest. Money will cease to be the master and become the servant of

humanity. Democracy will rise superior to the money power.” (the end)

During the Civil War, the U.S. government was so short of money and gold to back it, there was difficulty paying soldier’s wages. President Lincoln needed to borrow money and private banks were allegedly going to charge over 24% interest. This was unacceptable to Lincoln, so on Feb. 25, 1862 he signed the Legal Tender Act into law and the U.S. government issued a total of 450 million dollars of what came to be known as “greenbacks”.

The Legal Tender Act made paper currency, payable on demand by the U.S. Treasury but not backed by gold or silver, legal tender for all debts, public and private, except duties on imports and interest on the public debt. The exception for interest on public debt angered Thaddeus Stevens, Chairman of the House Ways and Means Committee. He had authored an earlier version of the Legal Tender Act that would’ve made U.S. notes legal tender for ALL debts. He denounced the exceptions, calling the new bill “mischievous” because it made U.S. notes an intentionally depreciated currency for the masses, while banks who loaned to the government got “sound money” in gold. Even in a time of war, banks and their puppet politicians put the interests of financial institutions ahead of the nation.

In a letter to Col. William F. Elkins dated Nov. 21, 1864, Pres. Lincoln said, “As a result of war, corporations have been enthroned, an era of corruption in high places will follow, and the money power of the country will endeavor to prolong it’s reign by working upon the prejudices of the people, until all wealth is aggregated into a few hands and the Republic is destroyed.” In 1916, President Woodrow Wilson confirmed Lincoln’s fears. Wilson wrote, “Our system of credit is concentrated [in the Fed]. The growth of the nation, thereof, and all our activities, are in the hands of a few men.” The source of this quote is the “National Economy and the Banking System”, Sen. Doc. No. 3, No. 223, 76<sup>th</sup> Congress, 1<sup>st</sup> session, page 1939.

Woodrow Wilson was elected president Nov. 5, 1912. He defeated incumbent president William Taft and former president Theodore Roosevelt. As president, Roosevelt had come to be known as the “trust buster”. The American people were concerned about large business monopolies and Roosevelt responded by breaking up trusts controlled by J.P. Morgan, John D. Rockefeller and others. But during the election of 1912, the American people were still concerned about the power of monopolies. Woodrow Wilson recognized this and in a series of campaign speeches later published as



“The New Freedom”, Woodrow Wilson addressed the issue of monopoly power. In a 1911 speech he said, “we have restricted credit, we have restricted opportunity, we have controlled development, and we have come to be one of the worst ruled, one of the most completely controlled and dominated governments in the civilized world.” The same is true today.

The American people were opposed to the creation of a central bank as proposed by the 1912 National Reserve Association bill, a.k.a., the Aldrich bill. The Aldrich bill was so unpopular the name was changed to the Federal Reserve Act, although it was virtually the same bill. The House and Senate passed the Federal Reserve Act on Dec. 22, 1913. On that day, Congressman Charles A. Lindbergh from Minnesota addressed the House and said, “This act established the most gigantic trust on earth. When the President signs this bill, the invisible government by the Monetary Power will be legalized. The greatest crime of Congress is its currency system. The worst legislative crime of the ages is perpetrated by this banking bill. The caucus and party bosses have again operated and prevented the people from getting the benefit of their own government.” The price of freedom is eternal vigilance.

In 1929, global markets crashed and the world was plunged into the Great Depression. Congressman Louis T. McFadden believed the Federal Reserve was largely responsible for the Great Depression. Congressman McFadden had been President of the Pennsylvania Bankers Association, President of the First National Bank of Canton, Pennsylvania, and Chairman of the House Banking and Currency Committee for ten years when he made a speech denouncing the Federal Reserve. The following is an excerpt from his speech to the U.S. House of Representatives on June 10, 1932.

“In 1912 the National Monetary Association, under the chairmanship of the late Senator Nelson W. Aldrich, made a report and presented a vicious bill called the National Reserve Association bill. This bill is usually spoken of as the Aldrich bill. Senator Aldrich did not write the Aldrich bill. He was the tool, but not the accomplice of European born bankers who for nearly twenty years had been scheming to set up a central bank in this country and who in 1912 spent, and were continuing to spend, vast sums of money to accomplish their purpose.

The Aldrich bill was condemned in the [campaign] platform upon which Theodore Roosevelt was nominated in 1912, and in that same year, when Woodrow Wilson was nominated, the Democratic platform as adopted at the

Baltimore convention expressly stated: “We are opposed to the Aldrich plan for a central bank.” This was plain language. The men who ruled the Democratic Party then promised the people that, if they were returned to power, there would be no central bank established here while they held the reigns of government.

Thirteen months later that promise was broken, and Wilson’s administration, under the tutelage of those sinister Wall Street figures who stood behind Colonel House [Wilson’s advisor], established here in our free country the worm-eaten monarchical institution of the “kings bank”, to control us from the top downward and to shackle us from the cradle to the grave. The Federal Reserve act destroyed our old and characteristic way of doing business...it fastened down upon this country the very tyranny from which the framers of the Constitution sought to save us.

One of the greatest battles for the preservation of this Republic was fought here [House of Rep.] in Andrew Jackson’s day, when the second Bank of the United States, which was founded on the same false principles as those which are exemplified in the Federal Reserve act, was hurled out of existence. After the downfall of the second Bank of the United States in 1837, the country was warned against the dangers that might ensue if the predatory interests, after being cast out, should come back in disguise and unite themselves to the Executive, and through him acquire control of the Government. That is what the predatory interests did when they came back in the livery of hypocrisy and under false pretenses obtained the passage of the Federal Reserve act.

The danger that the country was warned against came upon us and is shown in the long train of horrors attendant upon the affairs of the traitorous and dishonest Federal Reserve Board, and the Federal Reserve Banks are fully liable. This is an era of financed crime and in the financing of crime, the Federal Reserve Board does not play the part of a disinterested spectator.

When the Federal Reserve act was passed, the people of the United States did not perceive that...the United States were to be lowered to the position of a coolie [third world] country which has nothing but raw materials and heavy goods for export; that Russia [China, India...] was destined to supply the man power and that this country was to supply financial power to an international superstate. A superstate controlled by international bankers and international industrialists acting together to enslave the world for their own pleasure.”

(end of excerpt from Louis McFadden's speech to the House) The source: U.S. Congressional Record, June 1932, pages 12595-12603

June 4, 1963 President John F. Kennedy signed Executive Order 11110. This returned to the U.S. government, the power to issue currency backed by silver, without going through the Federal Reserve. It allowed the Federal government to "issue silver certificates against any silver bullion, silver, or standard silver dollars in the U.S. Treasury." This threatened the Federal Reserve's ability to loan the government money at interest, and undermined the value of Federal Reserve notes which are backed by nothing. Nearly 4.3 billion dollars of U.S. [silver certificate] notes were put into circulation. This had the potential to cap U.S. debt and save taxpayers enormous sums of interest. But a few months later, after President Kennedy's assassination, the U.S. government discontinued issuing currency backed by silver.

The current great recession was caused by risky subprime mortgage lending, the securitization of risky subprime loans, fraudulent triple A ratings given to these securities, banks leveraging these worthless securities up to 50 to 1, and finally, trillions of dollars of CDS bets that the securities would fail. Most of the CDS bets were placed at AIG, who didn't have collateral to cover the bets.

CNBC did a documentary on this mess called the "House of Cards". Ratings agencies were producing triple A ratings for worthless securities by using methodologies based on the fraudulent premise that home values would appreciate 6 to 8% per year, forever. This fraudulent method of home valuation was disseminated throughout the entire home mortgage industry. Mortgage brokers and lenders told home buyers not to worry about their ability to pay back loans because the value of their homes would increase forever. This was the basis for systemic fraud that caused the mortgage market to collapse. But when the bubble burst, borrowers were blamed for buying homes they couldn't afford, and banks foreclosed on 12 million homeowners.

But none of this would have been possible if not for Federal Reserve policy. The Fed sets monetary policy which includes jurisdiction over underwriting standards, i.e., the terms of mortgage loans. Subprime lending standards were **Fed policy**. Qualification requirements for subprime loans were non-existent; NINJA (No Income No Job or Asset) loans, liar loans, no-doc (no documentation) loans were Fed policy. Wall St. banks securitized these worthless loans and paid ratings agencies to give them phony triple A ratings. At any time during the housing bubble the Fed could have put an end to the

massive growth of subprime loans and the corresponding systemic risk. But instead, the Fed was like an arsonist pouring gas on the subprime fire and it wasn't until Oct. 1, 2009 that the Fed raised underwriting standards. Now Fannie Mae, Freddie Mac and FHA, all backed by the taxpayer, are guaranteeing over 95% of all home mortgage loans. Every mortgage foreclosure is money in a Wall Street bank because taxpayers are coughing up 100 cents on the dollar for Wall Street's failed mortgage backed securities.

At the end of CNBC's documentary "**House of Cards**", host David Faber asked former Fed chairman Alan Greenspan about irresponsible risks taken by Wall St. bankers. Greenspan said, "I spoke to them, these people aren't dumb, they knew the risks were there, they just didn't get out in time". But taxpayers were right on time to bail them out, pay all their bonuses, and pay their lobbyists to write new financial regulations guaranteeing future bailouts.

## SOLUTIONS

Our founding fathers ended the Declaration of Independence by pledging their sacred honor, their wealth, and their lives to each other for the cause of freedom. They understood that in order to be free, moral principles had to come before profit. The original Boston Tea Party and Revolution were undertaken for control of tax and trade policy. The King of England and his private sector cronies were using tax and trade policy to milk the colonies. The very same thing is happening now. Some argue that Apple's iphones and other trinkets would be too expensive without China's slave labor. But there has always been virtual **slave labor** in the world, and after abolishing slavery here, America thrived without it. Now, unprincipled leaders reward dictators and communists for oppressing their people and call it global competition.

During the 1980's there was concern about U.S. ability to compete globally with Japan. We went through corporate down sizing, unions made big concessions, and we had government programs like welfare to work which helped people get off welfare. By the end of Clinton's presidency the U.S. had kicked butt in the global economy. Republicans and Democrats had balanced the budget without amending the Constitution and we did not have a debt crisis. How was this accomplished? First, from 1933 to 1999, Glass Steagall kept Wall Street speculators in check. Second, for 220 years of America's existence prior to free trade, American leaders had used trade policy to protect U.S. Constitutional principles and economic interests.

Putting cheap iPhones and profit ahead of moral principles is no different than American Indians selling their sovereignty for beads and blankets. And just like the native Americans, modern Americans have been played for fools. Now it's time to wake up and take our country back! It was American manufacturing power and citizens motivated by moral principles that won WWII. Germany is now the strongest economy in the West for one reason, they protect their manufacturing. Don't buy the lie that America cannot do the same. It is treasonous to move our manufacturing base to Communist China just for slave labor. Freedom has a price and if we really support our troops, we need to hold our leaders accountable for their treasonous actions.

Free trade is based on the premise that America is not exceptional, just one nation among many, so trade policy should not be used to protect America's principles, freedoms and economy. Ag exports are great but outsourcing our manufacturing base is economic suicide. Leaders from both parties said free trade would transition America to a "low wage service economy." When you are the world's leading manufacturer and exporter, transitioning to a low wage service economy means, by definition, a steep decline in economic growth.

The dramatic drop in U.S. economic growth would have been seen immediately had it not been for the housing bubble. Economic growth during the George W. Bush administration was based entirely on a bubble economy. Given the role of the Fed and bi-partisan leaders in creating and allowing the bubble to go unchecked, I believe it was intentionally created to hide the devastating effects of outsourcing. Free trade, the housing bubble, and the War on Terror, were a one, two, three combination punch designed to bring America to its knees. The recession, debt crisis, high unemployment, and debt to Communist China are a direct result of these three policies.

We can't fund a military to protect our freedoms without protecting and maintaining a healthy manufacturing economy. Since the beginning of the Industrial Revolution, industrial nations have dominated the world, not low wage service economies. U.S. Senator Byron Dorgan said "the American government is the largest funder of research in the world". But Wall St. banks and multi-nationals have transferred trillions of dollars of public investment in technology, capital and hard assets (factories) to Communist China, knowing it would cripple our economy. They do not want America to be what our founders intended, a government of, by and for the people. All free trade agreements should be abolished, but to prevent disruption of global supply chains, they should be used as guidelines while trade

agreements are re-negotiated in favor of U.S. economic interests.

The Declaration of Independence describes principles of freedom and justice which the king of England had willfully and egregiously violated. As justification for the coming Revolution, the Declaration laid out the tyrannical crimes perpetrated by the king against the colonies. I have written this document for the very same purpose, although I do not believe the remedy is an armed rebellion. The founding documents are still the law of the land, they simply need to be enforced. The solutions are simple and clear, however, implementing the solutions will require the same degree of commitment exemplified by our founding fathers. The odds of defeating the British army were poor at best. Yet, this did not dissuade the founders from committing their honor, fortunes and lives to the cause of freedom and justice. They put everything on the line for what many thought was a lost cause, for it is better to die standing than to live on your knees under tyrannical leaders.

During the 1980's and 90's, the World Bank and International Monetary Fund made loans to third world countries contingent upon whether or not they upheld the rule of law. These financial institutions defined lawless nations as countries where financial elites had achieved exemption from the rule of law and created a "culture of corruption". The U.S. meets this definition of a lawless nation and there is overwhelming evidence proving the culpability of U.S. leaders. John Adams said, "we are either a nation of men or a nation of laws" and it is clear, America has become a nation ruled by wannabe kings who think they are above the law. Thomas Paine said, if there were to be a king, it would have to be the rule of law, and if a day of celebration were to be set aside, then homage should be paid to the law, a crown set upon it to remind those gathered that "the law is king." Restoring the rule of law is job one.

Talk to your personal attorney, your local sheriff and prosecutor, the States Attorney or District Attorney, contact your State Attorney General and U.S. Attorney and tell them checks and balances, the rule of law, Constitution, Bill of Rights, and American sovereignty are under attack. Prosecutors are under the thumb of powerful commie crapitalists, so with civility and resolve, concerned citizens need to be their backbone. We need to act now and R.I.C.O. statutes are the most viable solution for bringing criminal CEO's and politicians under the rule of law. RICO stands for Racketeering, Influence and Corrupt Organizations. Mail fraud and "honest services" statutes also give prosecutors wide latitude to bring corrupt public officials to justice. Coordinate with friends, neighbors and business associates to get it done.

There are many solutions to be implemented. After restoring the rule of law, the next priority is restoring rules of capitalism. A competitive, capitalist, market economy requires rules. Just like an NFL football game requires rules and a single standard for enforcing the rules. We currently have a double standard, one set of rules for Main Street and another set of rules for Wall Street. If some NFL teams had different rules than others, the league would not be competitive, it would be a rigged system like Wall Street.

- 1) Repeal Gramm-Leach-Bliley and reinstate the Glass Steagall Act.
- 2) Repeal the Commodity Futures Modernization Act (CFMA) and reinstate the common law rule against speculative derivatives.
- 3) Abolish all free trade agreements and use tariffs to rebuild America's domestic manufacturing base and protect Constitutional freedoms. Only manufacturing can sustain long term economic growth which generates revenue for public and private sectors. Economic growth based on manufacturing will create jobs and increase revenues enough to begin reducing government deficits and debt. Only nine percent of private sector jobs are union, so just blaming unions for outsourcing distorts the real reasons for moving manufacturing jobs to Communist China.
- 4) Use anti-trust regulation to control or break up "too big to fail" oligarchies and monopolies. One of the hard and fast rules of capitalism is, if you run your business into the ground, you must fail. This keeps markets efficient and allows for the efficient allocation of resources. Breaking up too big to fail banks allows them to fail without collapsing the whole economy.
- 5) Citizens own the public airwaves, public airwaves are being used to propagandize and defraud citizens. Use the Federal Communications Commission (FCC) for its intended purpose, require broadcasters to use public airwaves to promote and serve the "public interest". The democratic Republic envisioned by Thomas Jefferson depends on the informed consent of the governed. Citizens have not consented to the treasonous policies enacted based on lies. Both parties and their media hacks admit they "spin" information, spin is just another word for fraud.
- 6) Reform lobbying practices by stripping corporations and unions of their legal status as individual citizens with core Constitutional rights. Fund elections with a minimal amount of public dollars, this would make

candidates compete based on the merit of their ideas, not the size of their bank accounts. The principle of one person one vote needs to be restored.

- 7) Place a limit on the size of global banks and force the Fed to abide by its federal mandates, i.e., serve the interests of the U.S. domestic economy first, not the global economy, and conduct monetary policy in a manner consistent with the Constitution and Bill of Rights. Prosecute Federal Reserve Board members for their crimes against the U.S.A. Increase capital requirements for big banks, i.e., skin in the game. Enforce mark to market rules so capital reserves held by global banks are based in real, quantifiable accounting standards.
- 8) Under international law, sovereign nations have the right to repudiate debt. Repudiate U.S. debt to China because it was incurred with treasonous intent. Or use the threat of repudiation as leverage if China threatens a trade war over **tariffs**. The Communist economic model is completely **dependent** on U.S. consumers sending trillions of dollars to China to buy manufactured goods. Communism can be destroyed without firing a shot by using tariffs to protect and rebuild our industrial base. Rep. Brad Sherman was on CSPAN's "Washington Journal" and a caller asked why the U.S. subsidizes communist China with free trade. Sherman **suggested** using our debt to China as leverage to rebalance the trade relationship and said "enormous corporate power is driving us to to continue a cancerous trade relationship with [communist] China."
- 9) Prosecute EPA officials and their private sector supporters for fraudulent use of science. By declaring CO2 a pollutant and creating enforcement policy, the EPA is **making law**. The Constitution is explicit, only the legislative branch has authority to make law. The EPA and executive branch are openly attacking constitutional checks and balances. The CEO of Basin Electric said it costs 3cents per kilowatt hour to generate electricity from coal, 15 cents per kilowatt for wind, and 21 cents per kilowatt hour for solar. Prior to President Obama's election, the U.S. already had some of the cleanest coal plants in the world and hundreds of years of coal reserves to power them. Build more coal plants to meet America's future electricity needs and repeal "clean" energy mandates.
- 10) Repeal Obamacare and create public utilities to provide health care. To avoid the fight over repeal, use the authority of the U.S. House of Representatives to end Obamacare by de-funding the program.



11) Phony fiscal conservatives cite government spending as the only cause of our debt crisis. But if you own a business and your accountant is cooking the books, you could cut your spending to zero and still go bankrupt. Prosecute bi-partisan leaders for cooking the books. Cooking the books includes creating a 300 billion annual “free” trade deficit with Communist China, who sponsors terrorism directed at the United States. Demand prosecution for this willful treason.

Representative government depends on the informed consent of individual citizens. But both parties use “spin” to misinform, divide and disenfranchise otherwise engaged citizens. This allows a small group of lobbyists and politicians to implement illegitimate policies often harmful to America. Then, the same group of deceptive insiders blame misinformed citizens for the problems facing our country. This has produced an endless cycle of bi-partisan finger pointing where, by design, lobbyists and politicians are not accountable for their actions. It’s time to start criminalizing spin a.k.a. fraud.

CC: U.S. Representatives Rick Berg, Collin Peterson, Michele Bachmann, U.S. Senators John Hoeven, Kent Conrad, Amy Klobuchar, Al Frankenstein; Joel Hietkamp at KFGO the mighty 790, Chris Berg at AM 1100 the FLAG, Jared Thomas, Doug Barrett and Scott Hennen at 1310 KNOX Grand Forks

Political and media leaders are intentionally covering up the treasonous acts being committed against the United States of America. Talk show host Chris Berg repeatedly says our Constitutional Republic is not a democracy, as if a republic cannot be a democracy. Initially, women and blacks didn’t have the right to vote but laws were passed that gave them the right to vote. By law, the United States of America is a democratic Constitutional Republic. I support democracy because it’s the only form of government that provides a check on corrupt elites. In a democratic Republic, elected representatives are required to represent the interests of voting citizens, i.e., majority rule. Chris Berg calls this a “mobocracy” and the “tyranny of the majority”. He clearly favors the current tyranny of corrupt elites, which are destroying America’s constitutionally guaranteed freedoms. Corrupt bipartisan elites use their “tyranny of the majority” argument to justify subversion of the rule of law and representative government. If citizens unite, we can restore U.S. democracy.

Democrat hack Joel Hietkamp is as bad, or worse, than Republican hack Chris Berg. At least Chris is honest about his opposition to representative government. Joel only pretends to be for democracy, meanwhile, Chris and

Joel work together to defraud, divide and conquer U.S. citizens on behalf of criminal bi-partisan elites. I asked Chris on his show, if you don't believe in democracy, when you go to church and look around, whose vote do you think shouldn't count? He didn't answer the question. The real mobocracy is the group of bi-partisan insiders running state and federal government and media.

## REGULATORY CAPTURE

Edward **Kane** from the F.D.I.C. and Simon Johnson, former IMF chief economist, **say** large financial institutions have “captured the state” via “regulatory capture” which means their lawyers/lobbyists are literally making our laws. There's no doubt in my mind that Joel Hietkamp, Chris Berg, Rick Berg, John Hoeven, Kent Conrad, Collin Peterson, Michele Bachmann, Amy Klobuchar, Al Frankenstein, etc., know this. They are complicit in seditious acts against the United States and its sovereign citizens. Sedition is a crime.

Wall Street puppet masters use their enormous lobbying power to shield themselves from prosecution for fraud. The PBS show “Frontline” did a documentary on the financial crisis titled “The Warning.” It focuses on former Fed chair Alan Greenspan's policies which promoted the idea that Wall Street fraud should NOT be prosecuted, because a “free” market is the best form of regulation. All the Wall Street and Washington power brokers, left and right, were exposed as proponents of unchecked systemic fraud. In the late 1990's, Brooksley Born was director of the Commodity Futures Trading Commission (CFTC). The CFTC had jurisdiction over derivatives trading and Ms. Born was warning Congress of a potential financial collapse if derivatives were left unchecked. Her proposed legislation was crushed by Greenspan and his cronies. Born's warnings to Congress went unheeded and her predictions came true. The financial crisis was the product of regulatory capture by Wall Street banks. I highly recommend watching **The Warning**.

**William Black** was Deputy Director of the Savings and Loan Corporation during the 1980's. Massive fraud caused the failure of many Savings and Loan banks and Mr. Black helped obtain 1000 felony convictions of “elite” bankers. Black said the Office of Thrift Supervision, a regulatory agency, made 10,000 criminal referrals which ultimately led to the 1000 convictions. He said public losses from Wall St. fraud and the 2008 financial collapse are “70 times” greater than losses from the Savings and Loan meltdown. But in spite this, the Office of Thrift Supervision has not made a single criminal referral for prosecution. Mr. Black said the Federal Housing Finance Admin.

(FHFA) has filed a **civil suit** against the 17 largest banks, but no criminal prosecutions are being conducted because regulators aren't making criminal referrals. This is regulatory capture, but the statute of limitations has not run out, so in a **radio interview** he calls for criminal prosecutions to deter fraud.

Former Treasury Secretary Henry "Hank" Paulson personifies regulatory capture by large financial institutions. He was CEO of Goldman Sachs before going to Treasury and creating TARP with his initial **3 page proposal** to Congress. Section 8 of Hank's proposal dealt with the ability of courts and agencies to review his actions and it reads as follows: "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." Treasury is part of the executive branch and in one sentence, Paulson set the executive above the law in a position of absolute power. This exemplifies regulatory capture by too big to fail banks. Hank Paulson continues to develop regulations designed to turn America into a command and control, centrally planned economy like China. His former employer Goldman Sachs is a leading proponent of Cap and Trade. Through his Paulson Institute based at the University of Chicago, Hank promotes Obama's radical energy policies that will cause energy costs to skyrocket.

October 25, 2011 at John Hopkins University, he spoke about the Paulson Institute agenda. He was introduced by the Dean of International studies, Jessica Einhorn, who **said** Hank has two interests; "they are China, where he is well known and held in high esteem, and conservation"... "Hank worked with China's leaders on a variety of environmental issues and he helped establish China's national parks". She concluded saying one of the Paulson Institute's goals is to "develop and deploy clean energy for sustainable growth and promote better environmental practices." Sounds like Crap and Trade.

During his speech, Mr. Paulson talked about the need to "rebalance" the global economy by allowing the communist government of China to use its three trillion foreign exchange fund to invest in the U.S. economy. Hank is promoting a joint "U.S. China" clean energy project and says Chinese state owned entities have "plenty of room to grow" sustainable jobs in America. Feb. 13, 2012 Hank was on "Squawk Box" pushing the Paulson Institute agenda to "grow the U.S. economy" with investments from communist China.

Pat Mulloy is an attorney and member of the U.S./China Economic and Security Review Commission. June 21, 2011, **he spoke** at a conference on

Chinese government investment in the U.S. Pat cited former Securities and Exchange Commission chairman Chris Cox who said, “traditionally we have not wanted our own government to own large chunks of our economy, but the road we’re on, letting Chinese state owned enterprises and sovereign wealth funds buy America, we’re going to end up with a foreign government owning large chunks of our economy.” Mr. Mulloy also quoted Warren Buffet who has said, “by running massive trade deficits year after year, you’re sending dollars outside of the country which are not coming back to buy your goods, they are coming back to buy you.” This is the result of regulatory capture.

American citizens are led to believe the global economy and “globalization” are a product of the invisible hand of the market, but this is propaganda. The term “globalization” was coined during the late 90’s in conjunction with “free” trade. The terms free trade and globalization were used to describe the massive redistribution of investment capital and technology from the West to emerging market countries, a.k.a., the BRIC countries Brazil, Russia, India and China. March 12, 2011 this process was discussed on the “Charlie Rose Show” with Jim O’Neill, Chairman of Goldman Sachs asset management. The show began with Mr. O’Neill taking credit for coining the term BRIC and talking about how he came up with the term. He said Goldman’s CEO, Lloyd Blankfein, wanted to call the emerging market countries CRIB but O’Neill insisted on **BRIC** as the symbol for building a new world economy.

The invisible hand of the market became visible at 12min/43sec into the interview. Charlie Rose asked O’Neill about the possibility of China’s bubble bursting and Jim said, “Some days I wake up and think , what have I created with this damn thing? I worry about that.” Goldman Sachs execs were leaders in restructuring trade policy to favor Communist China. At 29min/45sec O’Neill said, “In order for the world to progress, we have to let some things go to other people.” Charlie then alluded to the massive transfer of wealth from the United States to China and asked, “What are the political implications for all this, especially for this country which has been on top for so long?” Jim responded, “I’d like to hear President Obama say, how do we adjust before he says how do we compete” and referred to Obama’s former economic advisor Larry Summers saying, “he understands [China’s] relative advantage in international trade.” Free trade is designed to pick winners and losers in the global economy and Goldman Sachs has picked America to lose.

Because of their influence in Washington D.C., Goldman Sachs is referred to as “**Government Sachs**”. Financial monopolies have achieved regulatory

capture and subverted representative government. The quickest way to break up Wall Street's monopoly is to remove their safety net by repealing Dodd-Frank, which has turned Wall St. banks into GSE's like Fannie and Freddie . Then reinstate Glass-Steagall which downsizes too big to fail banks by separating F.D.I.C. insured commercial banking activities from the high risk, high leverage gambling of investment banks. To watch the Charlie Rose interview with Jim O'Neill, click [here](#) and then click on Jim's picture.

China's communist government protects its economy from high oil prices by controlling the price at the pump. Oct. 27, 2011, Neil Beveridge, senior oil analyst from Sanford Bernstein [said](#) the Chinese refineries Sinopec and Petrochina are taking big losses because of "state controlled pricing". The government keeps prices artificially low to protect the economy from high energy costs. But in the US, Obama [said](#) his communist energy policies "will cause energy costs to skyrocket." And out of the other side of his mouth, he says America will be able to compete globally by investing billions of dollars in government subsidized green energy. Green energy, by design, destroys America's ability to compete and subsidizes Chinese made wind turbines and solar panels. Meanwhile, gasoline in the U.S. is expected to hit 5 dollars a gallon due to [speculation](#) driven by Wall Street and Iran's threats to cut global oil supplies. It's important to remember that China [protects](#) Iran from U.N. sanctions and Iran could not be a threat to the West without their support. Communist China, its US political partners, and Wall St., are using economic terrorism against America and other Western representative governments.

U.S. citizens are led to believe that voting the bums out of office is the only option for holding elected officials accountable. But the Constitution does NOT prescribe voting and the electoral process as a means to impose checks and balances on government. The Constitution prescribes three separate but co-equal branches of government as checks and balances on power. The Judiciary is one of the three branches and it's time to use the law to hold public officials and private sector cronies accountable for their seditious actions against America. Get up, stand up, stand up for your rights.

## COMMUNIST CHINA TORTURES FREE SPEECH ADVOCATES AND RELIGIOUS GROUPS

China's godless communist government uses brutal oppression to hold onto power. This was revealed in a Feb. 14, 2012 hearing of the Congressional

Executive Commission on China. Representative Frank Wolf (R. Virginia) **said** “25 Catholic Bishops are under house arrest and protestant pastors are in jail.” He quoted a senior Communist Party official who said, “China is a greater threat than the Soviet Union ever was” and the U.S. needs hardline policies like Reagan’s to confront the Communist threat. Rep. Wolf said this official recently tried to defect to America but was denied asylum and as a result, he was beaten and tortured by Chinese police. And a U.S. ambassador for religious liberties was recently denied a Chinese visa, but on the day of this hearing, Obama rolled out the red carpet for China’s Vice President Xi.

Chilling testimony was given by Geng He and Li Jing, Chinese wives whose husbands have been **tortured** and imprisoned by the communist government. Li Jing **said** her husband is a “devoted Christian whose conscience led him to advocate peacefully for rights and freedom that are universal”, for this he received a ten year prison sentence. Geng He’s husband is a human rights lawyer who represented workers, tenants and religious minorities. Jared Genser, attorney for Geng He’s husband, said his client **Gao Zhisheng** was abducted six times, tortured, and disappeared by the communist regime.

Pastor Bob Fu **spoke** of Abraham Lincoln and Martin Luther King, without whom “the first African American President would not be in the White House today.” **Pastor Fu** called on Obama to give the same priority and attention to human rights as Ronald Reagan. Mr. Fu **said** persecution in China is the “worst in two decades”, but Christians and advocates for democracy openly defy the brutal dictatorship in spite of systematic torture and arbitrary arrest. He called on Obama to “stand with the persecuted, not the persecutors”.

But Pastor Fu **said** Chinese human rights lawyers were led to believe Obama would meet with them during a recent visit to China. The lawyers were waiting outside the U.S. Embassy when 200 Chinese police showed up to arrest them. Obama went to the Great Wall instead of meeting with the lawyers and Fu said, “what kind of signal does this send to Chinese dictators and oppressors, it certainly emboldened them and made human rights worse.”

Rep Chris Smith **said** the communist government engages in “systematic use of torture” and is a “dictatorship” with “no due process of law.” He said the Chinese govt. holds “tens of thousands of political and religious prisoners” and the Obama administration has been **indifferent** to this brutal oppression. Everytime I shop at Walmart, I’m funding China’s communist government.

The greatest threat to American freedom is the U.S./China “partnership.” Meanwhile, a trillion dollars has been spent, and thousands of troops have been killed fighting people in Afghanistan who don’t even have electricity.

## CLOSING THE LOOP ON TERRORISM

Both parties work together to subvert the Constitution and rule of law. Democrats use environmental and social issues, Republicans use national security issues. Obamacare, EPA, the Patriot Act, warrantless **wiretapping** etc., are the product of two parties working together like tag team wrestlers with the same objective, destroy government of, by and for the people.

There is a pattern of US cooperation with the financiers of terrorism, i.e, Saudi Arabia and China, that constitutes treasonous intent. Saudi Arabia funds a global network of madrasses (religious schools) that teach the most extreme and intolerant form of Islam, Wahhabism. The official position of the Bush and Obama administrations is that Saudi Arabia isn’t a state sponsor of global terrorism. Congressional hearings and facts on the ground indicate otherwise.

June 26, 2003 the Senate Judiciary committee held a hearing on “Wahhabi influence in the United States”. This is part of Senator Jon Kyl’s opening **statement**: “The problem we are looking at today is the state sponsored doctrine and funding of an extremist ideology that provides recruiting grounds, support, infrastructure and the monetary lifeblood of today’s international terrorists. The extremist ideology is Wahhabism, which is a major force behind terrorist groups like Al-Qaida...Many questions have been asked about the role of Saudi Arabia and it’s official sect, a violent form of Islam known as Wahhabism. All 19 hijackers were Wahhabi followers and 15 of the 19 were Saudi subjects. Wahhabism enjoys immense financial and political resources thanks to support from a sector of the Saudi State.”

This is part of Senator Schumer’s opening statement: “The process to counter this hateful ideology begins with Saudi Arabia. The Saudi government must repudiate the Wahhabi extremism that is the source of much of this violence. That means stopping the funding of extremist madrasses and purging the hate filled textbooks that populate Saudi schools. If the Saudi’s do not end the funding and teaching of extremism, the cycle of terrorist violence wracking the globe will get worse.” A panel of witnesses testified that Wahhabism has infiltrated mosques, universities and prisons in the United States of America.

One of the people testifying was Alex Alexiev, senior fellow at the Center for Security Policy. September 29, 2003, he spoke at an event sponsored by the American Foreign Policy Council. This is part of **his speech**: “Without huge amounts of Saudi money in the past three decades, our problem of terrorism wouldn’t be anywhere as acute as it is...It really is the lifeline of terrorism. There is direct funding by Saudi government individuals through the King Fahd foundation, the King Faisal Foundation, Islamic Development Bank in which Saudi’s are the key shareholder, and four main charities...All without exception are controlled by the government of Saudi Arabia. Everything I cite here is based on Saudi sources and there is information that all these charities are supervised by the interior ministry headed by Prince Nayef.”

David Aufhauser, Treasury Dept. General Counsel also testified before the Senate Committee. He said much of the evidence [of terrorism] is suspect, based on torture and betrayal, but a financial record does not lie. We can map out connections and starve the enterprise of terrorism of its fuel, “and its fuel is money.” “I now know, after the mission given to me after 9-11, preventing a dollar from being misapplied can be of service to the nation, and perhaps is the surest singular weapon we have to make sure the homeland is secure.” Remember the Sunni insurgency in Iraq, their IED’s, suicide bombings and attacks on our troops? Ali Allawi, a former Iraqi Defense Minister **said** the insurgents were “funded by UAE charities and groups from Saudi Arabia.”

May 5, 2009 Obama’s envoy to Pakistan, Richard Holbrooke, testified before the House Foreign Affairs Committee. Rep. Burton **said** Saudi Arabia is funding madrasses in Pakistan and Holbrooke **said** the US government has done almost nothing to stop it. Rep. Rorhabacher asked where the Taliban are getting their funding. Holbrooke said there isn’t any evidence the Saudi government is funding terrorism, however, money is coming from people inside Saudi Arabia and elsewhere, but we don’t have a program to close that down now. This hearing was six years after the Senate Judiciary Committee had explicitly named the Saudi government as a state sponsor of terrorism, and cited Saudi funding as the “lifeblood of international terrorists.” But Obama’s envoy **says**, “we do not have a program to close that down now.”

Representative Ackerman asked about Pakistani intelligence (ISI) working with the Taliban as double agents. Holbrooke **said**, “in the old days, the ISI and American intelligence services worked together to set up some of the organizations that have turned against the United States, and there may be some serious legacy issues.” Oops! Ackerman **asked** about Pakistani



scientist A.Q. Kahn, who gave nuclear technology to Iran and North Korea. Holbrooke danced around the issue but Rep. Rorhabacher **said** Pakistan doesn't deserve U.S. help if they aren't willing to prevent terrorists from getting nuclear weapons. Rep. Burton expressed concern about Pakistani intelligence working with the Taliban and **said** Holbrooke had skirted around the issue of a Taliban takeover of Pakistan's nuclear weapons. Rep. Lynn Woolsey **asked** Holbrooke if the U.S. could count on Pakistan as a partner in nuclear non-proliferation, he said "I don't know." But he insisted that giving Pakistan everything they wanted with no strings attached was "smart power".

Curtin Winsor was a Special Emissary to the Middle East during the Reagan administration. In 2007, he published an article in the Mideast Monitor titled "Saudi Arabia, Wahhabism and the Spread of Sunni Theofascism". Winsor said Saudi ambassador, Prince Bandar bin Sultan, played an important role in masking Saudi-Wahhabi realities. Bandar's personal charm caused "many American leaders and even presidents to forget that he represented a secretive, repressive Muslim kingdom that survived because it had made a pact with puritanical Wahhabi clerics who despised America". Bandar helped create a "**culture of corruption**" that rendered the US executive branch "incapable of dealing with the Kingdom of Saudi Arabia in the farsighted and disinterested manner that US foreign policy requires." Winsor points to a "revolving door syndrome" afflicting senior diplomats and policymakers who deal with the Saudis in their official capacities. Very often, they have enjoyed lucrative post government careers working as consultants for Saudi businessmen and companies, or running Saudi-financed nongovernmental organizations. This **excerpt** can be found under the heading "Causes of American Inaction". (p.8)

The government of Saudi Arabia is a fascist theocracy that finances a global network of Sunni terrorism. China's **communist** government is a brutal **totalitarian regime** that provides **Iran and North Korea** with ballistic missile, chemical and **nuclear technology**. Without Chinese **support**, Iran and North Korea could not be a **threat**, and without Saudi support, Al Qaida could not be a threat. And without support from the US government, Saudi Arabia and China could not be a threat to the West. War/terrorism serves a business and political function. They generate tremendous **revenue**, divide people, and provide a **pretext** for implementing laws designed to give tyrants absolute control over citizens. It's all about dividing and conquering nation states.

When 9-11 families sued the Saudi government for one trillion dollars, the Texas law firm Baker Botts **represented** the Saudi's against 9-11 families.

James Baker, former Secretary of State in the Bush 41 administration, is a senior partner of Baker Botts. Conservatives should watch “[The Man Who Knew](#)” and [Fahrenheit 911](#) with an open mind. “The Man Who Knew” is a PBS documentary about John O’Neill, former head of counter terrorism at the FBI. When senior officials refused to act on his warnings of an Al Qaida attack, he went to work as head of security at the World Trade Center. He was killed in the 9-11 attack. By design, only fragments of truth can be found in each of the left, right and center media sources. Left, right and center intentionally divide and misinform citizens, so only by looking at all these sources can a concerned citizen glean the whole truth from a corrupt media wasteland. Propaganda is covering up the crimes of U.S. leaders.

Even Osama bin Laden said the U.S. would not be conquered militarily, but economically. For years after 9-11, US leaders kept saying “everything has changed”, it’s a “post 9-11” world. They didn’t qualify these statements by saying the Constitution and Bill of Rights didn’t change, they said everything changed. Saudi prince Alwaleed bin Talal is the largest investor in Citigroup and one of the largest investors in Newscorp, the parent company of Fox News. China, the largest external holder of U.S. debt is [buying](#) up America.

The creation of a fascist [new world order](#) is not a conspiracy theory, it’s an unfortunate reality. Alex Jones has a documentary examining President Obama’s role in the fascist new world order. Alex did a great job explaining the globalist agenda and it’s threat to our Republic. Click [here](#) to watch it.

## MORALS AND ETHICS

Science is base on experiments. Experiments are based on observation. This process of drawing conclusions by observing the physical world is called empiricism. Empirical observations are the building blocks of science. This process also applies to moral and ethical behavior. Morals and ethics are rooted in observing and practicing human behaviors that have proven to yield the highest quality of life for individuals and communities. The positive effects of moral behavior have been proven over and over throughout human history. Contrary to the theory of moral relativism, the beneficial effects of moral behavior are based on proven scientific fact, not transient perception.

Take greed for example, how many parents intentionally teach their children to practice greed within their own family? Few, if any. Why? It would create a miserable family experience. Greed is NEVER good if the objective

is a just, democratic, moral society based on the rule of law. It isn't rocket science and these self evident truths didn't change because 9-11 "happened". The proven benefits of moral behavior are not relative, and in spite of the culture of corruption, they don't change with time, technology or terrorism. Free market disciples believe that markets are amoral, i.e., "free" from any judgment, whether moral or immoral. But when one considers that markets are created and run by humans, the argument that markets are amoral falls apart. Every nation on earth has laws against fraud, theft, murder, etc., and these laws are based on moral judgments. So the argument that manmade markets are amoral is just a clever attempt to place financial elites above the law. Google "amoral markets", you'll find some interesting information.

Most of the founding fathers believed in God and drew on the moral values of the Enlightenment when creating our founding documents. Wall Street's 600 trillion derivatives market is referred to as "dark money". The values represented by "dark money" are a direct attack on Enlightenment values codified in the Declaration of Independence, Constitution and Bill of Rights, which represent an enlightened, moral view of government and the world.

As a Christian, I believe Christ overcame the world, so we don't bear the burden of saving the world. But if we are willing to send our children to kill or be killed in foreign wars, we owe it to them to stand against evil in our own country. America exists because our founders stood up for unalienable rights here at home. Today, US leaders send our family members to fight and die all around the world, meanwhile, they subvert the Constitution here at home. We must first take a stand against the lawless tyrants running America, then we can be successful helping other countries secure their unalienable rights.

Corrupt global elites who mock the idea of moral/ethical absolutes, cannot erase the knowing of right and wrong, the law written on the hearts and minds of human beings. Many atheists are moral/ethical people. In my opinion, this is evidence of a good and just God. Moral/ethical majorities exist in all countries, and whether it's called natural selection, natural law, or God's will, these majorities will one day control all the world's governments and rule the earth forever. I believe in Dr. Martin Luther King's dream. Together, we the people shall get to the promised land. Power to the peaceful people!

Elitist groups will always exist in the world, the problem is unchecked corruption and lack of accountability. Educating ourselves and others by sharing information is the key to building a global movement capable of

restoring accountability to government. No matter how hopeless the situation seems, don't give up, because when people of good conscience unite, we win just by taking a principled stand for what we know is right.

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