

# Sovereign Debt Crisis: Washington Complicit in Massive Financial Fraud on Wall Street

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It was 7 years ago we said Fannie Mae and Freddie Mac were bankrupt. Most everyone within the beltway knew it, but no one would say anything about it. This as it now turns out they were the poster companies, which led to sovereign debt problems, but also showed that they were involved in massive fraud over several years and many in Washington knew it. Earnings were fabricated in order to create conditions, so that the officers could collect millions of dollars in bonuses. Part of this scam was engineered by Goldman Sachs, which pushed more than \$100 million in earnings into future years. Earnings were structured so that they justified larger payouts for executives.

These two GSE's were later joined with Ginnie Mae and FHA, not for fraud as far as we know, but in making and insuring loans, that were not worth the paper they were written on. They were the entities, and they still are, that were at the heart of the mortgage crisis. They were responsible for the distortions in the housing market as essentially the lenders of last resort. Remember, everyone had to have a house whether they qualified for it or not. We should also add that the Fed created and controlled the housing boom, aided and abetted by these GSE's and, of course, the lenders and raters. That said, it could have never happened and is continuing to happen with key assistance from these four lenders of last resort. Over a six-year period they arranged for mortgage credit to double; mis-pricing of finance never entered their minds. What in part the GSE's were responsible for was the over liquidation of the mortgage market, that in turn led to distortion that came to be known as collateralized debt obligations, asset backed securities, ABS, and MBS, mortgage backed securities. They were sold by the likes of Goldman Sachs, JPMorgan Chase, Citigroup and others, who arranged with the raters S&P, Moody's and Fitch to have bonds rated AAA that in fact were junk, BBB. In a low interest rate environment, choosing yield, professional investors gobbled them up supposedly after doing their due diligence, which obviously never occurred. All those lawyers and no legal opinions. It seemed impossible and it was. They bought trillions of dollars worth. We said, at the time, this is impossible. Could it be the Fed said, we want you to buy this paper and if there is a problem, we have you covered? This naturally led to more home buying and more CDOs, ABS and MBS, which let the GSE's off the hook in part at least. We would guess the Fed was behind this in order to transfer some of the risk from the GSE's to institutional investors. The result of all this was a giant bubble, which is being and has been re-inflated over the past couple of years. The reasons in government are obvious. Just do not let it collapse on my watch. This is why the crisis isn't over and why it won't be over for at least two more years. Then for how many years will it bump along the bottom?

Outrageous monetary policy by the FOMC and Alan Greenspan led to ever more profits in the banking system and on Wall Street. In the end the lifeline was the GSE's and still is. Banking and Wall Street, as we all well know, expedited the distribution of these toxic

assets. The problems created by this cabal in their quest for extraordinary profits are still with us.

As we look to the future we see more bubbles from that era still to be dealt with and that is sovereign debt. For 19 nations that problem is acute. They are on the edge of insolvency. Iceland has led the pack and today the visible are Greece, Portugal, Ireland, Spain and Italy, all in different stages of collapse. More will soon follow reaching a crescendo next year. The contagion will be complete as bad debt stretches around the world affecting debt and credit everywhere. No one will escape it – it will be just a matter of degrees. We are embarking into a crisis of confidence in governments. Even though Americans do not understand what is wrong with monetary and fiscal policies, they believe their own government is untrustworthy. Some 82% and 79% in two polls just said so. The public obviously sees something is wrong that it quite doesn't understand. The professionals who should understand are looking the other way hoping it will just go away.

Compounding these debt problems we have banking and Wall Street running Washington in an ongoing criminal enterprise, which is being splashed all over the media. Something that few have talked about is the failure of Goldman Sachs and the event that could cause the collapse of the derivative markets. The system is fragile, especially since it has been kept alive for seven years by massive amounts of money and credit being injected into the system by the Fed. This is nothing new – it has been going on for a long time. It is just now being exposed. How can you hope the system will function when you have unregulated derivatives, hedge funds that are unregulated, black box front running and naked shorting? That is massive rules violations and the SEC and CFTC do absolutely nothing about it of real import. As time passes the Fed will have to again increase liquidity, not just to banks that keep it on deposit at the Fed, in a sweetheart deal, but to small businesses and individuals. If that doesn't happen the system will be sucked under by the undertow of deflation.

Wall Street doesn't care about the state of the systems – they want to make money anyway they can – legal or illegal, as the public has found out much to their chagrin. Do not forget more money is made by professionals on the short side than on the long side.

What is going on concerning sovereign debt is eventually going to bring the world financial system down. It did not just happen that way; it was planned that way.

“The annual operating shortfall is running between \$4 and \$5 trillion; not \$500 billion as we saw before the crisis or the \$1.4 trillion that they announced for fiscal 2009. Now to put that into perspective, if the government wanted to balance its deficit on a GAAP basis for a year, and it seized all personal income and corporate profits, taxing everything 100%, it would still be in deficit.” John Williams

The latest Greek tragedy continues to leave carnage in its wake. Some 30% of the intended Greek bailout financing will come from the IMF, of which US taxpayers will pay for 40%. This has been done to subsidize European countries and banks, which are holding Greek bonds. A deal obviously worked out in some back room by fellow Illuminists. Needless to say, American's should be outraged. The Greek populace in general probably has little intention of paying back these loans, who can blame them. The politicians and the bankers lied to them, telling them things were just fine and they were not just fine. No one told them successive governments and Goldman Sachs were cooking the books.

We do see one thing in the future and that is that the Illuminists are losing their grip on total control. The information being disbursed over the Internet and talk radio is exposing more and more of what they are up too. At least at this time things are going very badly for the elitists, especially in Greece.

These are the type of things that led up to the French Revolution in 1789, during which some 300,000 elitists lost their heads. We have mentioned these similarities a number of times, particularly on the radio. Then as now the same type of elitists ran things. Then it was a corrupt aristocracy – today it is those who believe they are the masters of the universe, and plan to give us world government. We are quite sure that the end result this time worldwide will be far more extensive. Today you can run but you cannot hide.

People today for the most part do not know that there is a ruling elite and when you do expose this reality 95% reject the concept and slip into denial. We have been exposing these people for more than 50 years, so we know the difficulty of making people understand the facts of who really is in charge. These predators have been with us for over one thousand years trying to bring us their version of what is good for us. In this depraved process they have financed and equipt almost every war and conflict during that long period. Today it is control and the elimination of useless eaters. We can guarantee you one thing and that is if Americans are not successful using the ballot box and other legal avenues to retrieve their country and their freedom, what will take place will make the French Revolution look like a warm up that will last for years, as everyone of these monsters are brought to justice.

Leadership not under elitist control for the most part does not know what is really going on. Most are shallow and do not understand real history. They only know the same dogma that has bee presented to them by the opposition.

Yes, we have a Tea Party, an outward manifestation of rejection of our current system. The movement is noble and well intentioned, but they still do not understand, or are willing to accept, like most newsletter writers, that there is a cabal behind the scenes pulling all the strings. Many in government, banking and on Wall Street know what is going on, but they are terrified to speak out. They do not want to be thought ill of or perhaps lose their jobs. Those in power realize this, but they also know desperation brings revolution, something we may be seeing in the streets of Athens as we write. If you push the public far enough you will get a reaction, which you not going to like. Keep that in mind elitists, because if you do not attempt to reverse what you have created, it will destroy you.

On a more mundane note, but certainly part of the mosaic we face, it has become quite evident that money needed to finance huge public debt is becoming increasingly difficult to find, an event we predicted some time ago. The BIS, Bank for International Settlements, the banker's bank, that really is top control on world monetary matters and the IMF have also been telling us that for some time. As an example, the US will pay \$20 billion to bail Greece out, if that ever really happens. That is their contribution via the IMF. The big question is where will the money come from to bail out the other 18 countries on the edge of the financial abyss, which includes the US and the UK. Greece is an early warning that the entire global financial system is going to collapse. The elitists got it all wrong again. The collapse was to be coordinated and well tuned to be harmonized and executed simultaneously at some later date. The citizens of Greece have turned this upside down, just as French citizens did at the Bastille. The Greeks are saying we have had enough and won't take it anymore. All sovereign debt is essentially unpayable. Debt has swallowed up the world. Even if the

system continues to function the only way debt can be paid on a short or intermediate term basis is to arbitrarily create more money and credit out of thin air, the result of which will be hyperinflation, a lower stock market, higher interest rates and lower bond prices and higher gold and silver prices. These coming events are an absolute lock. All bets are off if we plunge directly into a deflationary depression, although the above results will be the same. It is just the path to failure will have changed. Many more problems are on the way the US and UK are leading the pack. Governments worldwide will have to raise \$4.5 trillion in 2010 of which the US will raise just about \$2.2 trillion or 45% during a period when these requirements exceed available funds. In England over the last few months the Bank of England has bought 70% of Treasuries and in the US the Fed continues to buy 80% by having others front the orders for them.

Worse yet the UK could end up with a "Hung Parliament." When that happened in the mid-1970s the IMF had to be called in. England could very well become the next Greece. The hung parliament will bring lower sterling, unless the liberals and the conservatives can form a coalition, which is certainly possible. Even with a coalition that could govern the disastrous debt problems are not going to go away anytime soon and the UK will follow in the footsteps of Greece. This is going to be a long hot summer for England. Sterling will trend lower and budget problems will worsen.

US financing needs dwarfs all others. There is a good chance the demand could cause an explosion in the debt market, especially in the US Treasury market. This would cripple the financial system and cause many bankruptcies. As well, it is not impossible for the Fed to collapse under worthless assets. A 2/3's devaluation, which we expect, could easily accomplish that. No matter which way you cut in, we are in for big trouble.

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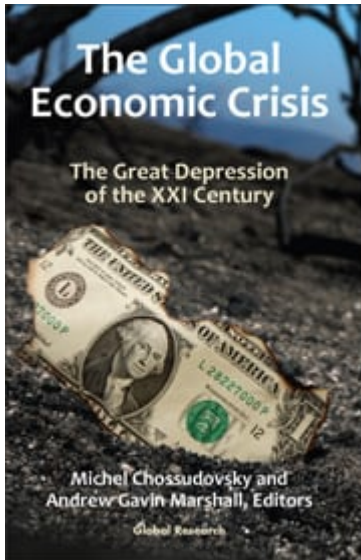
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