

The Perfidy of Government:: How we Lost our Economy, the Constitution and our Civil Liberties

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This essay is about three recent books that explain how we lost our economy, the Constitution and our civil liberties, and how peace lost out to war.

Matt Taibbi is the best—certainly the most entertaining—financial/political reporter in the country. There is no better book than *Griftopia* (2010) to which to turn to understand how stupidity, greed, and criminality, spread evenly among policymakers and Wall Street, created the financial crisis that has left Americans overburdened with both private and public debt. Taibbi walks the reader through the fraudulent financial instruments that littered the American, British, and European financial communities with toxic waste. He has figured it all out, and what in other hands might be an arcane account for MBAs is in Taibbi's hands a highly readable and entertaining story.

For the first 65 pages Taibbi entertains the reader with the inability of the public and politicians to focus on any reality. The financial story begins on page 65 with Fed chairman Alan Greenspan undermining the Glass-Steagall Act leading to its repeal by three political stooges, Gramm-Leach-Bliley. This set the stage for the banksters to leverage debt upon debt until the house of cards collapsed. When Brooksley Born, head of the Commodity Futures Trading Commission, attempted to do her regulatory job and regulate derivatives, the Federal Reserve, Treasury, and Securities and Exchange Commission got her bounced out of office. To make certain that no other regulator could protect the financial system and its participants from what was coming, Congress deregulated the derivatives markets by passing the Commodity Futures Modernization Act.

As an Ayn Randian mentality of a self-regulating private sector crowded out prudence, the media cheered. Taibbi captures the era in a sentence: "In was in the immediate wake of all these historically disastrous moves—printing 1.7 trillion new dollars in the middle of a massive stock bubble, dismantling the Glass-Steagall Act, deregulating the derivatives market, blowing off his regulatory authority in the middle of an era of rampant fraud—that Greenspan was upheld by the mainstream financial and political press as a hero of almost Caesarian nature. In February 1999, Time magazine put him on the cover."

Mortgage securitization allows lenders such as banks to issue mortgages that can be sold to third parties. Instead of making money from the interest from mortgages in its portfolio, the bank issues mortgages for a fee and sells the mortgages. The mortgages are then combined with mortgages sold by other lenders and resold to investors. This development resulted in lenders being less interested in the credit-worthiness of borrowers.

In order to assure investors about credit-worthiness and to appeal to risk-tolerant hedge

funds, the next development was to take a pool of mortgages of varying credit-worthiness and to organize them into three tranches. The mortgages were separated into AAA, B grade, and high-risk stuff. The triple A tranche could be sold to pension funds and institutional investors. Hedge funds would take the high-risk tranche for the high-interest rate that they offered, intending to get rid of the mortgages before they had time to go bad. The middle tranche was the one hard to sell. The interest rate on the B grade tranche was not high enough to appeal to hedge funds, and pension funds were restricted to investment grade.

So what did the banks do? Well, they lumped together all the B grade tranches and started the process all over. The best of the lot were turned into—you guessed it—AAA, then came the B grade, and then the worst of the lot became the third tranche. And then the process was repeated.

This was bad enough, but even worse was happening. Many of the triple A and B grade mortgages had that rating only because of fraudulent credit scores and rating agencies assigning investment grade ratings to lower grade mortgages. Everyone was focused on short-term profits, from the lenders who churned out mortgages for fees to hedge funds that had no intention of holding the high-risk tranches beyond the short-run. You can see how toxic waste was spread throughout the financial system.

Then it became possible to “insure” the AAA mortgages (many of which were not AAA). Once this happened, financial institutions that were required to maintain reserves against deposits or to capitalize obligations, such as insurance policies, could now substitute higher-paying mortgage derivatives for U.S. Treasury notes and still meet their reserve requirements for a ready cash reserve. Treasury notes are so liquid that they are considered the equivalent of cash, and insured AAA securitized mortgages acquired similar status.

AIG became the big provider of “insurance” in an operation run by Joe Cassano. Cassano’s “insurance” product is called a credit default swap. It is not insurance, because AIG did not set aside capital to pay any claims. And claims there would be. Not only were the AAA mortgages that were being insured littered with toxic waste, investment banks and hedge funds could purchase swaps against mortgages that they did not even own. As Taibbi puts it, people were gambling in a casino in which gamblers did not have to cover their bets or own the financial instruments that they were insuring.

 <p>The Global Economic Crisis The Great Depression of the XXI Century Michel Chossudovsky Andrew Gavin Marshall EDITORS</p>	<p>WANT TO LEARN MORE ABOUT THE GLOBAL ECONOMIC CRISIS?</p> <p>“In-depth investigations of the inner workings of the plutocracy in crisis, presented by some of our best politico-economic analysts. This book should help put to rest the hallucinations of free market ideology.” —Michael Parenti, author of <i>God and His Demons</i> and <i>Contrary Notions</i></p> <p>CLICK FOR INFO ON THE HIGHLY ACCLAIMED NEW BOOK FROM GLOBAL RESEARCH!</p>
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While Cassano was collecting fees for bets that he could not cover, Win Neuger on the other side of AIG was lending the insurance giant’s long-term portfolio of sound investments to

short-sellers for a fee.

Short-selling works like this: A short-seller thinks a company's stock price is going to fall in value. He borrows the stock from AIG by putting up collateral equal to its market price the day the stock is borrowed plus a small fee, sells the stock, pockets the money and waits for the stock to fall. If his hunch or inside information is correct, and the stock falls in value, he buys the stock and returns it to AIG, pocketing the difference in the two prices.

Normally, people who lend stock to short-sellers are content with the fee and with the interest on the collateral (cash) invested in safe instruments like Treasury bills. The lender of the stock cannot take any risk with the cash collateral, because the cash must be returned to the short-seller when he returns the borrowed stock.

Once, however, toxic waste got AAA ratings plus insurance from Cassano, higher-paying insured investment grade toxic waste could displace of US Treasuries as a place for Neuger to hold the short-sellers' collateral. You can see the untenable position into which Cassano and Neuger put AIG.

Enter Goldman Sachs as a buyer of swaps from Cassano and a borrower of stocks from Neuger. Once the real estate bubble that the crazed Federal Reserve had caused popped, all the fraud that had been disguised by rising real estate prices appeared in its naked glory. AIG couldn't cover Cassano's swaps, and it could not return the collateral to short-sellers that Neuger had invested, unknowingly, in toxic waste.

This was the origin of the TARP bailout, which was perceived by Goldman Sachs (whose former executives, as Taibbi relates, controlled the U.S. Treasury, financial regulatory agencies, and the Federal Reserve) as an opportunity not merely to have U.S. taxpayers make good on its exploitation of AIG, but also to fund with free capital supplied by hapless taxpayers more money-making opportunities for "banks too big to fail."

As Taibbi shows, Goldman Sachs had yet more ruin to bring to Americans. Goldman Sachs managed to get the position limits that regulation imposed on speculators in order to prevent speculation from taking over commodity markets (for example, grains, metals, and oil) secretly repealed. This allowed Goldman Sachs to create a new product, index speculation, which brought hundreds of billions into commodities markets and drove up the price of gasoline in 2008 to \$4.50 per gallon despite the fact that there was no change in supply or consumer demand. It was entirely a profit rip-off from speculation in oil futures contracts.

From here on Taibbi's book really rolls. If the U.S. had a media worthy of the name, instead of mere shills for private oligarchs and propagandists for government, Matt Taibbi would be the editor of an independent Wall Street Journal with a regiment of investigative reporters. Then Americans would have a prospect of reclaiming their country and their economy.

Charlie Savage is a summa cum laude graduate of Harvard with a Master's degree in law from Yale. As a Boston Globe reporter, he documented the Bush-Cheney-Yoo-Bybee-et.al. destruction of U.S. civil liberties and the constitutional separation of powers as they occurred during the reign of the 43rd president of the United States. Savage draws on this disillusioning experience to give us another important book, *Takeover* (2007). Savage documents completely how American civil liberty was destroyed by Dick Cheney and the

traitors he was able to place in key positions in the Bush regime.

President George Bush, an inconsequential person, gloried in the increase in his power that the Cheney forces and the Federalist Society achieved by a fabricated doctrine of “inherent power” that allegedly resides in the presidency. This power, its tyrannical advocates assert, places the President above Congress, the Judiciary, and the law itself during times of war. The advocates of this doctrine used war to advance their claims, but actually believe that the President, as long as he is a Republican, is, in fact, a Caesar who is unaccountable.

Savage is a clear, masterful writer. He shows that the Bush/Cheney traitors have left Americans with an executive branch that is unaccountable to statutory law, treaties, international law such as the Geneva Conventions, and Congress. What one reads in *Takeover* is not opinion but documented fact. There is no better way for gullible flag-waving Americans to sober up than to read *Takeover*.

Anyone who has any remaining faith in the U.S. government after reading the Taibbi and Savage books will lose it completely when they read James W. Douglass’ *JFK And The Unspeakable* (2008). Douglass’ book is more gripping than the best thriller or murder mystery; yet, it is based on hard evidence documented in 100 pages of footnotes. Douglass presents the solution to the greatest murder mystery of the 20th century—that of President John F. Kennedy.

Douglass is not the first to take on this task. Millions of people in the U.S. and abroad have been convinced by years of investigation by many competent researchers that President Kennedy was murdered by his own government. What differentiates Douglass book is that he proves it several times over with official government documents that have been declassified in the years that have passed, with personal and careful interviews with eye-witnesses whose testimony was excluded from the Warren Commission’s report and whose mouths were shut by threats that silenced them into old age when they had nothing left to lose, and with circumstantial evidence that is so overwhelming that it could not be a mere coincidence.

In brief, JFK who began political life as a cold warrior was brought face to face with reality in the Cuban missile crisis when the U.S. military insisted that the crisis be resolved by military attack on Cuba and a first-strike nuclear attack on the Soviet Union. Kennedy found his intelligence and humanity isolated within his own government and turned via back channels to Soviet leader Khrushchev for help.

Khrushchev sensed sincerity in JFK’s plea and withdrew the Soviet nuclear missiles from Cuba in exchange for Kennedy’s promise that the US would not invade Cuba.

Kennedy added the promise to remove U.S. strategic missiles from Turkey in six months but not as a public part of the deal.

The U.S. Joint Chiefs of Staff, the CIA, and even the Secret Service entrusted with the protection of the president concluded that JFK was soft on communism and a national security threat.

Kennedy had not gone along with the Bay of Pigs invasion of Cuba, calling off the U.S. air support. He had nixed the Operation Northwoods project conceived by the Joint Chiefs of Staff to conduct black ops terrorist operations against American citizens in Miami and Washington D.C., to hijack and shoot down American airliners ("real and simulated"), to strafe and bomb Cuban refugee ships headed for Florida and to blame it all on Castro in order to create public support for "regime change" in Cuba.

When Kennedy signed the nuclear test ban treaty with Khrushchev, it brought him more condemnation from within his own government. In the eyes of the Joint Chiefs, the CIA, and the Secret Service, America had a national security risk in the White House who was selling out the country to Soviet deceptiveness.

The decision was made to eliminate the security risk. Douglass presents in fascinating detail every inch of the story. I can't reproduce it here. Suffice it to say that Oswald was on both the CIA and FBI payrolls. He was set up as the patsy without realizing it until he was in the Dallas jail where he was shot by Jack Ruby, another CIA asset.

The FBI at headquarters level was not part of the plot, although local offices were infiltrated by the CIA. The CIA had set the assassination up so that the patsy, Oswald, was linked to a KGB assassin and to Castro. The goal was to use Kennedy's murder to enrage the American public and to attack Cuba and the Soviet Union. I know, it sounds to naive Americans like a farfetched conspiracy theory, but I have never seen a better proven case.

After JFK's assassination, J. Edgar Hoover clued in Lyndon Johnson that the linkages of Oswald to the KGB and Cuba were fabricated by the CIA.

The problem for President Johnson was that the CIA had assassinated Kennedy in a manner that was too transparent. The CIA had overdone its setup of Oswald, for example, to the point that it was transparently a CIA operation.

What to do? If Johnson ordered the arrest of the CIA operatives responsible, the responsibility rose high up into the ranks. What would be the effect on the American public during a difficult time of the cold war if they learned that they could not trust their own government not to murder their own president? In addition, liberals were concerned that if the truth came out, Americans' trust in their government would evaporate. Heaven forbid!

Johnson made the decision to cover up the crime and that was the task assigned to the Warren Commission.

Edgar Hoover knew the truth, but went along with the coverup.

Johnson and Earl Warren were thinking short-run and did not understand the unintended consequences of the coverup. They thought that by blaming Oswald as a lone deranged assassin, that they had done service by eliminating the CIA plot to implicate Cuba and the Soviet Union. Johnson did not realize that he had handed the U.S. government over to the CIA, and that he would soon be involved in an escalating war in Vietnam—a war that JFK had ordered wound down—which would deny him a second term.

Evidence continues to pile up that the Warren Commission covered up JFK's murder by a conspiracy within the U.S. government. In his multi-volume *Inside The Assassination*

Records Review Board, Douglas P. Horne, Chief Analyst for Military Records, Assassination Records Review Board, provides voluminous incontrovertible evidence that fraud was introduced into the autopsy reports that served as the basis for the Warren Commission's conclusion that JFK was shot from behind by a lone gunman.

Out of JFK's assassination came Robert Kennedy's assassination, the Oklahoma City bombing, Waco, and 9/11.

Niels Harrit, a professor of nano-chemistry at the University of Copenhagen, together with U.S. physicists and engineers published a paper in the *Open Chemical Physics Journal* in 2009 that proves that nano-thermite was used to bring down the World Trade Center towers.

In the U.S. this startling finding is unreported except on 9/11 truth sites. The researchers say that in the dust from the World Trade Towers destruction they found unreacted nano-thermite, some of which they tested to confirm their identification. They researchers say that they have enough of the unreacted nano-thermite left for others to examine.

There have been no takers in America. Not a single U.S. physics department, most of which are totally dependent on federal government grants, will touch the subject.

The campaign that has been organized against the finding of Harrit and his associates is that the dust has not been in certified custody, and the explosive material could have been added. This claim overlooks that nano-thermite is a material that is not available to anyone except the U.S. military.

In America today the financial press says we cannot believe Taibbi. Law professors hoping for elevation to the federal bench say we cannot believe Savage. The mainstream media and some leftwing Internet sites say we can't believe Douglas.

It is in this disbelief of hard evidence that America is dissolving.

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