

Wag the Dog: How to Conceal Massive Economic Collapse

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“I’m in show business, why come to me?”

“War is show business, that’s why we’re here.”

– “Wag the Dog” (1997 film)

Last week, Fannie Mae and Freddie Mac had just announced record losses, and so had most reporting corporations. Unemployment was mounting, the foreclosure crisis was deepening, state budgets were in shambles, and massive bailouts were everywhere. Investors had every reason to expect the dollar and the stock market to plummet, and gold and oil to shoot up. Strangely, the Dow Jones Industrial Average gained 300 points, the dollar strengthened, and gold and oil were crushed. What happened?

It hardly took psychic powers to see that the Plunge Protection Team had come to the rescue. Formally known as the President’s Working Group on Financial Markets, the PPT was once concealed and its very existence denied as if it were a matter of strict national security. But the PPT has now come out of the closet. What was once a legally questionable “manipulator” of markets has become a sanctioned stabilizer and protector of markets. The new tone was set in January 2008, when global markets took their worst tumble since September 11, 2001. Senator Hillary Clinton said in a statement reported by the State News Service:

“I think it’s imperative that the following step be taken. The President should have already and should do so very quickly, convene the President’s Working Group on Financial Markets. That’s something that he can ask the Secretary of the Treasury to do. . . . This has to be coordinated across markets with the regulators here and obviously with regulators and central banks around the world.”¹

The mystery over what was going on with the dollar the first week in August was solved by James Turk, founder of GoldMoney, who wrote on August 7:

“[T]he banking problems in the United States continue to mount, while the federal government’s deficit continues to soar out of control. . . . So what happened to cause the dollar to rally over the past three weeks? In a word, *intervention*. Central banks have propped up the dollar, and here’s the proof.

“When central banks intervene in the currency markets, they exchange their currency for dollars. Central banks then use the dollars they acquire to buy US government debt instruments so that they can earn interest on their money. The debt instruments central banks acquire are held in custody for them at the Federal Reserve, which reports this amount weekly.

“On July 16, 2008 . . . , the Federal Reserve reported holding \$2,349 billion of US government paper in custody for central banks. In its report released today, this amount had grown over the past three weeks to \$2,401 billion, a *38.4% annual rate of growth*. . . . So central banks were accumulating dollars over the past three weeks at a rate far above what one would expect as a result of the US trade deficit. The logical conclusion is that they were intervening in currency markets. They were buying dollars for the purpose of propping it up, to keep the dollar from falling off the edge of the cliff and doing so ignited a short covering rally, which is not too difficult to do given the leverage employed in the markets these days by hedge funds and others.”²

Just as central banks manipulate currencies in concert, so gold can be manipulated by massive selling of central bank reserves. Oil and any other market can be manipulated as well. But markets can be manipulated by only so much and for only so long without fixing the underlying problem. There is more bad news coming down the pike, news of such magnitude that no amount of ordinary manipulation is liable to conceal it.

For one thing, roughly \$400 billion in ARMs (adjustable rate mortgages) have or will reset between March and October of this year. Assuming 3 to 6 months for strapped debtors to actually hit the wall with their payments, a huge wave of defaults is about to strike, continuing through March 2009 – just in time for the next huge wave of resets, in option ARMs.³ Option ARMs are loans with the option to pay even less than just the interest on the loan monthly, increasing the loan balance until the loan reaches a certain amount (typically 110% to 125% of the original loan balance), when it resets. The \$800 billion credit line recently opened to Fannie Mae and Freddie Mac may be not only tapped but tapped out, at taxpayer expense. The underlying problem is little discussed but impossible to repair – a one *quadrillion* dollar derivatives scheme that is now imploding. Banks everywhere are facing massive writeoffs, putting the whole banking system on the brink of collapse. Only public bailouts will save it, but they could bankrupt the nation.

What to do? War and threats of war have been used historically to distract the population and deflect public scrutiny from economic calamity. As the scheme was summed up in the trailer to the 1997 movie “Wag the Dog” —

“There’s a crisis in the White House, and to save the election, they’d have to fake a war.”

Perhaps that explains the sudden breakout of war in the Eurasian country of Georgia on August 8, just 3 months before the November elections. August 8 was the day the Olympic Games began in Beijing, a distraction that may have been timed to keep China from intervening on Russia’s behalf. The mainstream media version of events is that Russia, the bully on the block, invaded its tiny neighbor Georgia; but not all commentators agree. Mikhail Gorbachev, writing in The Washington Post on August 12, observed:

“What happened on the night of Aug. 7 is beyond comprehension. The Georgian military attacked the South Ossetian capital of Tskhinvali with multiple rocket launchers designed to

devastate large areas. Russia had to respond. To accuse it of aggression against “small, defenseless Georgia” is not just hypocritical but shows a lack of humanity. . . . The Georgian leadership could do this only with the perceived support and encouragement of a much more powerful force.”⁴

Bruce Gagnon, coordinator of the Global Network against Weapons and Nuclear Power, commented in OpEdNews on August 11:

“The U.S. has long been involved in supporting ‘freedom movements’ throughout this region that have been attempting to replace Russian influence with U.S. corporate control. The CIA, National Endowment for Democracy . . . , and Freedom House (includes Zbigniew Brzezinski, former CIA director James Woolsey, and Obama foreign policy adviser Anthony Lake) have been key funders and supporters of placing politicians in power throughout Central Asia that would play ball with ‘our side’. . . . None of this is about the good guys versus the bad guys. It is power bloc politics Big money is at stake [B]oth parties (Republican and Democrat) share a bi-partisan history and agenda of advancing corporate interests in this part of the world. Obama’s advisers, just like McCain’s (one of his top advisers was recently a lobbyist for the current government in Georgia) are thick in this stew.”⁵

Brzezinski, who is now Obama’s adviser, was Jimmy Carter’s foreign policy adviser in the 1970s. He also served in the 1970s as director of the Trilateral Commission, which he co-founded with David Rockefeller Sr., considered by some to be the “master spider” of the Wall Street banking network.⁶ Brzezinski later boasted of drawing Russia into war with Afghanistan in 1979, “giving to the Soviet Union its Vietnam War.”⁷ Is the Georgia affair an attempted repeat of that coup? Mike Whitney, a popular Internet commentator, observed on August 11:

“Washington’s bloody fingerprints are all over the invasion of South Ossetia. Georgia President Mikhail Saakashvili would never dream of launching a massive military attack unless he got explicit orders from his bosses at 1600 Pennsylvania Ave. After all, Saakashvili owes his entire political career to American power-brokers and US intelligence agencies. If he disobeyed them, he’d be gone in a fortnight. Besides an operation like this takes months of planning and logistical support; especially if it’s perfectly timed to coincide with the beginning of the Olympic games. (another petty neocon touch) That means Pentagon planners must have been working hand in hand with Georgian generals for months in advance. Nothing was left to chance.”⁸

Part of that careful planning may have been the unprecedented propping up of the dollar and bombing of gold and oil the week before the curtain opened on the scene. Gold and oil had to be pushed down hard to give them room to rise before anyone shouted “hyperinflation!” As we watch the curtain rise on war in Eurasia, it is well to remember that things are not always as they seem. Markets are manipulated and wars are staged by Grand Chessmen behind the scenes.

NOTES

[1] Remarks from Hillary Clinton on the Global Economic Crisis,” CNN (January 22, 2008) (video preserved on allamericanpatriots.com).

[2] James Turk, “Mystery Solved,” GoldMoney.com (August 7, 2008).

- [3] Bill Murphy, "Wipeout Nightmare," LeMetropoleCafe.com (August 11, 2008); Ruth Simon, "FirstFed Grapples With Payment-Option Mortgages," Wall Street Journal (August 6, 2008); Ruth Simon, "Mortgages Made in 2007 Go Bad at Rapid Clip," *ibid.* (August 7, 2008).
- [4] Mikhail Gorbachev, "A Path to Peace in the Caucasus," Washington Post (August 12, 2008).
- [5] Bruce Gagnon, "What Do We Know About Georgia-Russia Conflict?", OpEdNews (August 11, 2008).
- [6] Hans Schicht, "Financial Spider Webbing," Gold-eagle.com (February 27, 2004).
- [7] "Soviet War in Afghanistan," Wikipedia
- [8] Mike Whitney, "Bush's War in Georgia," Global Research (August 11, 2008).

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