

The Economic Chernobyl of 2008

An Analysis of the Current Economic Crisis

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An Economic Chernobyl – the Economic Crisis of 2008

Like all nuclear reactors, the nuclear plant at Chernobyl had safeguards that were engineered into the design so that in the event that cooling water was lost and temperatures became too great, the reactor would automatically shut itself down. Why did the reactor blow up? Because the safeguards were deliberately disabled by the plant engineers so that they could push it beyond its limits. The predictable happened. The reactor “went critical”, meaning that the reaction process could not be controlled. It was quite possible that it could have exploded in a huge nuclear cloud. Instead, it melted itself into a seething amorphous incredibly radioactive mass of steel, carbon control rods and enriched uranium, sending plumes of radioactive steam high into the atmosphere above. This silent killer traveled north on the prevailing winds to destroy and maim thousands of unsuspecting people who happened to be in the wrong place at the wrong time. Because the safety features of the plant were disabled this event cannot technically be called an accident. It was instead, an incident.

Instead of being referred to as the “sub-prime crisis” the economic crisis of 2008 should properly be called “The Economic Chernobyl Incident.” What happened in the financial markets from the spring through the fall of 2008 was no accident. The safety features to prevent such an economic meltdown had been in place for decades, but were deliberately dismantled beginning from the 1980s. When signs of strain began to appear in the system and were made known to the authorities they were deliberately ignored. The history shows that events have been deliberately orchestrated to bring about the current result. Why? The information available shows a pattern, a motive and a goal. Even this early into the process, we can understand that the stage is being set to forge dramatic changes in the operating paradigm of the world. The shift will be global in scale, similar to that of the economics of goodness to the economics of passion, only this time we are slated to take a collective quantum leap into the economics of ignorance. Let’s look at the step-by-step actions leading up to the crisis, and then hear from highly placed people where we are headed. Later we will see what can be done to avert the impending tragedy.

Breaking Down the Barriers

America was one of the last Western powers to adopt a central bank. The Bank of England was created in 1694, the Bank of France in 1803, and the Bank of Japan in 1882. America's Federal Reserve Bank, like other central banks, is privately owned by a consortium of private member banks, established in 1913 after more than a century of economic chicanery and machinations to achieve that end.¹ Up until that time American people had experienced numerous and frequent upheavals within the banking and money system, which the Federal Reserve System (FRS) was supposed to cure. Factually however, the FRS was a giant step toward the bankers' achievement of total financial control, the efforts of which have been relentless until this very day. A wary public however erected numerous barriers to prevent the consolidation of banking and economic power. Two of those acts were the McFadden Act of 1927, and the Glass-Steagall Act of 1933.

The McFadden Act specifically prohibited interstate bank branching. This law prevented the development of very large domestic banks that could dominate banking activities across the United States.

The Glass-Steagall Act was enacted to prevent future problems that the unregulated economic activities of the 1920s created. Specifically it separated deposit banks from investment banks. Said another way, it prevented "people's banks" from gambling with their customers deposits by operating as brokerage houses. It also prevented banks from financial speculation for their own account. They were supposed to make money by making loans, not by speculating in the securities market. It also prohibited American financial institutions from owning foreign subsidiaries directly, and vice-versa. And it prohibited interlocking directors between banks and investment banking firms. Glass-Steagall thus effectively prevented the development of what might be called financial conglomerates that combined all financial activities under one roof. Glass-Steagall did its job well and protected the American financial system from threatening excesses until it was rescinded.

However, the banking industry is never happy with such restrictions and sought throughout the 80s and 90s to repeal these acts.² The McFadden Act was dismantled with the Riegel-Neal Interstate Banking and Branching Efficiency Act in 1994, and immediately thereafter numerous bank mergers reduced the number of banking companies while increasing their size.

In 1996, there was a concerted effort by the Fed and elements within the government to bypass Congress and repeal the Glass-Steagall Act. The Federal Reserve Bank led the way by increasing the revenues bank subsidiaries could earn by underwriting and dealing in securities. Then the Comptroller of the Currency simply assumed the power to give banks the ability to provide broader range of financial services through operating subsidiaries. *Business Weekly* financial magazine pointed out that “the Comptroller of the Currency’s gambit is an end run around lawmakers authority,” although it was a moot point since nobody in government objected to this clearly illegal activity.³

Three years in a row the attempt was made to pass a banking act to defeat Glass-Steagall. Finally, in a much ballyhooed event Democratic President Bill Clinton signed the Gramm-Leach-Bliley Act, also known as the “Financial Services Modernization Act,” (FSMA) in November 1999. FSMA tore down the protections of Glass-Steagall, and also amended the Bank Holding Company Act of 1956 to permit cross-ownership and control among bank (financial) holding companies (FHCs). This allowed a FHC to own a company engaged in activities previously not allowed. Commercial banks, brokerage firms, hedge funds, institutional investors, pension funds and insurance companies could now freely invest in each others businesses as well as fully integrate their financial operations. It also allowed FHCs to deal in securities and insurance in any state, to lend, exchange, transfer, and invest for others, and to safeguard money or securities, and to act as a financial or investment advisor. In short, FSMA provided for the creation of financial conglomerates.

We can understand that there are deeper reasons behind the FSMA after hearing that outgoing Treasury Secretary Robert Rubin said in June 1999: “Reforming international financial institutions, strengthening the international financial architecture and maintaining open markets are not simply questions of economics but politics.” Indeed. Although what was going on in America (with FSMA) was not presented as reforming *international* financial institutions, that is what it was, since the very same thing had been going on around the world for a decade or more. Financial conglomeration developed rapidly in Holland after the liberalization of their so-called structural policy on January 1, 1990. Italy, like the United States, also had laws separating banking and commerce. But, beginning again in 1990, their credit institutions were allowed to buy stock in insurance companies which in turn could own banks. The Canadian government in 1992 also revised its financial laws to allow financial institutions to buy insurance and investment firms. It seems that

there was a concerted effort during the 1990s among countries around the world to bring their financial laws into harmony permitting the development of financial conglomerates. Breaking Glass-Steagall did just that for the United States.

Another important barrier to imprudence that was broken was the Basel Accord. Established in 1988 it contributed substantially to the liquidity crisis ten years later because it altered international risk-based capital requirements for commercial banks, changing the reserve requirements for mortgage-related risk. Because of mortgages long maturities and illiquidity lenders had been expected to set aside substantial reserves to cover possible mortgage losses. However, marketable securities that could theoretically be sold easily would not require significant reserves. This led to a wholesale shift from originating and holding mortgages to repackaging them in a securitized form. Liquidity considerations overrode asset-quality considerations, especially when the mortgages were sub-prime. Credit Default Swaps written against these securities multiplied the devastating effect of their default.

Larry Summers became Secretary of the Treasury in July 1999. He described FSMA as “the legislative foundation of the financial system of the 21st century.” Not FSMA alone, but it, along with similar legislation all over the world, was laid down as that foundation. That legislative foundation created a massive concentration of financial power — the conditions for the economic Chernobyl — and is counted among the main causes of the 2008 financial meltdown. Is something amiss here? How can a future “foundation” bring such disastrous results? Unless that is part of the plan. Perhaps that foundation is also meant to help dismantle the past system while providing an important step toward a new *global* economic system — an important prerequisite for a global government. Don’t laugh – there is plenty of evidence for this. Similar legislation being passed in countries around the world and at the same time does not happen by chance. This was being done to serve a purpose and was obviously by design. We continue to follow the trail to see where it will lead. What was the next step?

Remove the Oversight and Set Up the Dominoes

In addition to the Glass-Steagall Act the federal government of the United States passed other legislation in the 1930s to create oversight and regulation of the securities markets and to provide for prosecution of illegal activities of investment bankers. The purpose of course is to protect the assets of people and the country from fraud. Two very important pieces of legislation were the Securities Act of

1933 to regulate interstate sales of securities, and the Securities Exchange Act of 1934, which established the Securities Exchange Commission (SEC). The SEC was given responsibility for enforcing the federal securities laws and regulating the securities industry. The Commodity Futures Trading Commission (CFTC) was created in 1974 as another independent agency with the mandate to regulate commodity futures and option markets. It should go without saying that frequently the investment banking industry has a long history of being at odds with the SEC and CFTC. Not to worry though. Big finance has its needed friends inside of government.

Two of them are a husband and wife team — the former Senator Phil Gramm and his spouse Wendy. Wendy, appointed as chairperson of the CFTC in 1988, helped arrange for the exemption of swaps and derivatives from all regulation by 1993. With that accomplished she resigned her post in 1993 to take a seat on Enron’s board as a member of its audit committee. Given the spectacular failure of Enron it is clear that from that position she must have been instrumental in allowing “cooking the books,” as audit malfeasance came to be known. Apparently she was working closely with her husband Phil, who as chairman of the Senate banking committee in the 1990s opposed an SEC rule to prohibit accounting firms from getting too close to the companies they audited. Phil Gramm routinely turned down SEC chairman Arthur Levitt’s requests for more money to police Wall Street. According to Levitt, Gramm warned him that if the SEC adopted the rule its funding would be cut. The resulting incestuous relationships between auditing firms and their clients created a wave of major accounting scandals that exploded in 2002 with the failure of huge companies such as Enron and WorldCom. Leading accounting firms were then forced to admit negligence in identifying and preventing publication of falsified financial reports by their corporate clients.

Phil Gramm’s stonewalling of regulatory oversight hamstrung the SEC’s efforts on Wall Street during the mania of mergers and acquisitions in the 1990s. During this period the SEC’s workload shot up 80 percent, but its staff grew only 20 percent. On whose behalf was Gramm working? Follow the money. From 1989 through 2002, federal records show that Senator Gramm was the top recipient of contributions from commercial banks and among the top five recipients of campaign contributions from Wall Street.

After \$11.5 billion was lost in the derivatives market by just 360 participants in the decade ending April 1997, the CFTC proposed to regulate derivative trading, an action that could have forestalled the “liquidity crisis” of 2008. In the see-no-

evil environment of Bush's administration, regulation of swaps was not going to be allowed, and the CFTC's proposals were rejected. Michael Greenberger, head of the CFTC at the time said that unregulated swaps were at "the heart of the subprime meltdown," yet when his proposal was brought up "All hell broke loose. The lobbyists for major commercial banks and investment banks and hedge funds went wild. They all wanted to be trading without the government looking over their shoulder."⁴

Gramm, who was instrumental in pushing through the FSMA bill, also co-sponsored the Gramm-Lugar Commodity Futures Modernization Act in December 2000 that enabled the speculative onslaught that drove the price of commodities such as oil and food through the roof causing cursing at the pump and worldwide food riots. His motive was revealed when he declared that the Commodity Futures Modernization Act would "protect financial institutions from overregulation" and "position our financial services industries to be world leaders into the new century."⁵

The act in fact did prevent both the SEC and the CFTC from "over-regulating", or any regulating for that matter, especially in regard to Credit Default Swaps (CDS).⁶ It seems that the Bush administration, while wildly overspending in almost every other sphere of government, needed to save money by reducing staff at the SEC Office of Risk Management, which had oversight responsibility for, among other things, the Credit Default Swap market. At a Congressional Oversight Committee Hearing regarding the failure of the insurance giant AIG, Vermont Democratic Congressman Peter Welsh, queried Lynn Turner, Chief Accountant of the SEC:

Welch: "You said that the SEC office of risk management was reduced to a staff, did you say, of *one*?"

Turner: "Yeah, we had gotten down to one person at the SEC responsible for identifying the risks at all the institutions."

Welch: "So that included the \$65 trillion dollar credit default swaps?"

Turner: "That's correct. When you cut it down to one you know what you're doing. You are basically saying 'we are not going to do the job.' . . . there has been a systematic gutting of the agency and its capability. The enforcement staff are now asked to jump through many more hoops before they can proceed with investigations."⁷

The enforcement staff eliminated 146 employees. As Mr. Turner, astutely points out, the Bush administration clearly did not want any oversight of what was going on in the financial markets. What that meant was there was nobody to see if banks, insurance companies and hedge funds had assets to cover the losses they were guaranteeing when selling CDS. As a result “nobody had a picture of where the risks were flowing,” according to law professor Frank Partnoy, a former investment banker and expert on financial markets and derivatives at the University of San Diego, “Tens of trillions of dollars of transactions were done in the dark.” This turned the financial and other companies into gambling houses. Enron, for example, made more money trading in derivatives than it did in the energy field, its ostensible primary business. Betting on the risk of any given transaction became much more lucrative than the transactions themselves. And what were they betting on? Among many other things, the housing bubble. There was more betting on the riskiest sub-prime mortgages than there were actual mortgages according to Partnoy. “Banks and hedge funds were gambling that the sub-prime mortgages would pay off and they would not need the capital to cover their bets.”⁸

Credit default swaps are essentially insurance policies covering the losses on securities in the event of a default. They were designed to protect financial institutions from default on loans they had underwritten. But now there was suddenly no need for a buyer of such protection to hold the underlying security. Anybody could buy or sell a CDS for an investment to which they were not a party. This opened up Pandora’s Box. Anybody could sell protection of a loan made by a strong company and collect premiums for doing nothing. And conversely, a very strong insurer or commercial bank could purchase protection of a loan made by a weak company and then through market manipulation (as we saw in an earlier chapter regarding manipulation of the energy market) reduce the company’s financial strength and ability to pay the loan, then collect on the swap. All they needed was a few of Ken Lay’s “smart guys who know how to make money.” It was easy money either way. So easy, and so attractive, that it quickly became a \$65 trillion market, and one that was a row of dominoes because it was so interwoven that if one bank fell and defaulted on its CDS it could bring down all the other banks in short order. Which is exactly what happened.

Remove Oversight in the Real Economy Too

CDS and securities are one thing. They live and die in the financial economy. But housing belongs to the “real” economy, the one that affects people and how

they live their lives. The housing market is another important piece of the puzzle of the economic Chernobyl disaster.

Early in his presidency George Bush embarked on an ambitious plan to increase the number of minority homeowners (primarily Black and Hispanic) by 5.5 million by the end of the first decade of the 21st century. He encouraged a number of initiatives by various branches of government to help achieve the goal, including very low interest rates that allowed many to especially qualify for adjustable rate mortgages (ARMs), but whose monthly premium would increase dramatically with rising interest rates.⁹ Determined to get low-income people into houses Bush persuaded Congress to spend \$200 million a year to help first-time buyers with down payments and closing costs. And he pushed to allow first-time buyers to qualify for federally insured mortgages with no money down, insisting that Fannie Mae and Freddie Mac, the two mortgage giants that collapsed in 2008, to meet ambitious new goals for low-income lending. Bush also had his banking regulators gut housing regulations to ease burdens on the industry. When states sought to use consumer protection laws to on put a stop to risky lending the comptroller of the currency blocked the effort declaring that states had no authority over national banks.¹⁰

The dangers of Bush's housing initiative were quickly caught by Armando Falcon Jr., director of the Office of Federal Housing Enterprise Oversight, a government agency that oversees Fannie Mae and Freddie Mac. Concerned about the management of the companies financial position and their use of derivatives he produced a report early in 2003 warning that Freddie and Fannie were in dire straights. It was quite possible that they could default on their debt, initiating "contagious illiquidity in the market" – exactly what happened four years later.

How was Falcon rewarded for his prescient work? The day he issued his report the White House fired him. His warnings were buried in news that was trumpeting his replacement by a leader in the derivatives industry that Falcon's report had flagged.¹¹

Bush's effort, however noble as an stated ideal, was designed for failure, because in the matter of mortgage financing the Bush administration was again vigorously not paying attention to what was going on. Not only did he remove the oversight for mortgage lending, but the laws were changed that allowed mortgages to be bundled and securitized. Removing the risk of default from the lenders and placing it on the investor also removed any incentive lenders had to make sure that the borrower could actually pay the mortgage. They were also now in a position to

collect their lending fees risk free, and so they did as much business as they could without thought of the consequences.

Because many of these loans were issued by Freddie Mac and Fannie Mae they were taken to be very secure and were thought to be AAA rated and insured, and many large, conservative financial institutions gobbled them up. In fact though, many of these loans were subprime “liar-loans”, meaning that they were issued, in many cases, without proof of income, without demonstration of ability to pay, and with little or no down payment. The nonprime boom introduced practices that made it easier to obtain loans. Homebuyers could take out a simultaneous second, or piggyback, mortgage at the time of purchase, make interest-only payments for up to 15 years, skip payments by reducing equity or, because housing bubble pushed up prices 20-30 percent a year, obtain a mortgage of up to 120 percent of the home’s value.

Subprime and near-prime loans shot up from 9 percent of newly originated securitized mortgages in 2001 to 40 percent in 2006. Yuliya Demyanyk, from the Banking Supervision and Regulation Section of the Federal Reserve Bank of St. Louis, and Otto Van Hemert, from New York University’s Department of Finance issued a report in which they stated that “the quality of loans deteriorated for six consecutive years before the crisis and the securitizers [sic] were, to some extent, aware of it. . . . Problems could have been detected long before the crisis, but they were masked by high house price appreciation between 2003 and 2005.”¹²

Former federal prosecutor Anthony Accetta who prosecuted the then largest mortgage fraud case in U.S. history in the 1970s, said the subprime lending business model worked like a Ponzi scheme, in which the lenders made loans that they sold to investment banks, who bundled and securitized them, and sold to investors. Banks took their fees and commissions and lent money to mortgage originators so they could write more loans. Accetta says frankly: “It was actual fraud. It wasn’t an accident, nor was it a failure of oversight.” He added, “*This is a national catastrophe, and the perpetrators are not being prosecuted.* It’s one of the easiest cases to prove because there are plenty of witnesses and plenty of evidence out there.”¹³ (emphasis added)

Eric Forster, a Los Angeles-based consultant for mortgage fraud litigation, agreed. He said the entire subprime mortgage industry was “fraught with fraud.” And no wonder. Justice Department data showed that prosecutions of frauds against financial institutions dropped 48 percent from 2000 to 2007, insurance

fraud cases plummeted 75 percent, and securities fraud cases dropped 17 percent.¹⁴ “What makes this crime wave unique is that, in most cases, the banks cooperated with the perpetrators,” Forster said. “Once they discovered they could securitize loans and transfer the risk to some investors in China or Europe, there was no reason to underwrite the loans any longer.” Meanwhile those processing the paper were happy to receive their commission and fees on a hot housing market where prices were quickly doubling. Many were making six and seven figure incomes. The party lights began to fade when interest rates began to rise in 2004. This of course meant that many who had been able to afford the house on the initial terms could no longer make their payments. So unqualified were many of these home owners that an investigation in Cleveland, Ohio showed that nearly half of the subprime loans written in 2005 by five of the country’s biggest subprime lenders resulted in foreclosure in less than two years. In the third quarter of 2007, subprime ARMs representing only 6.8 percent of the outstanding mortgages, resulted in 43 percent of the foreclosures.

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Unfortunately the problem didn’t involve just mortgages. Credit default swaps were written against these securitized mortgages. As the home buyers began to default so did the securities into which they were bundled. UBS, the largest bank of Switzerland was making credit default swaps on securities backed largely by subprime instruments, and this had become their “key to growth.” But their party also ended in 2007, when they lost as much as they had made in the previous four years. Of course, they were far from being the only bank in this situation. They were just one of the crowd.

One surely must wonder why the Bush administration was allowing large-scale fraud to openly take place, when such actions were leading to a national disaster. What reasons do they give for their negligence?

“The Bush administration took a lot of pride that homeownership had reached historic highs,” Mr. Snow [White House press secretary] said in an interview. “But what we forgot in the process was that it has to be done in the context of people being able to afford their house. We now realize there was a high cost.”¹⁶

We forgot that the borrowers were supposed to be able to pay their mortgages!?!? Is that not the most asinine statement that could be made by *the president’s office* when the entire world financial system is collapsing? Who can take such a statement seriously? Not only was the Bush administration looking the

other way, it even backed-off on proposed crackdowns on no-money-down, interest-only mortgages years before the economy collapsed, under pressure from some of the banks that have failed. This makes the picture even more mysterious. Even individual mortgage lenders saw the writing on the wall and tried to alert them. Paris Welch was one who such lender who realized what was going on and sought to alert U.S. regulators in January 2006, a full year before the housing implosion began. She wrote: “Expect fallout, expect foreclosures, expect horror stories.” What did her diligence and foresight earn her? She is another person that lost her job for pointing out the foolishness of, and devastating results that Bush’s policies were leading to. It seems nobody wanted to know that the bridge is out as we barrel down the highway at breakneck speed toward it. Bowing to aggressive lobbying — along with assurances from banks that the troubled mortgages were nothing to be concerned about — regulators continued (were ordered?) to avoid action. Late in 2006 new lending rules were released but they had little teeth. It was too little and too late; by this time the meltdown had begun. Home loans became more difficult to get and under reduced demand over-inflated housing prices started to fall.¹⁷

Solving or Creating the Problem?

“The root of this problem is the housing correction.” This is the perception of the Bush administration to the economic crisis of 2008 and the correction in the housing market bubble.¹⁸ So how do Treasury Secretary Hank Paulson and chairman of the Federal Reserve Bank Ben Bernanke approach the crisis? By shoveling money, and LOTS of it — not at the underlying problem — but to their friends in the banking industry. Not just in America, but their counterparts in Europe are doing the same thing. How does that deal with the problem? It doesn’t. Their approach leaves many people wondering what in the world is going on, including former Assistant Secretary of the Treasury for President Reagan, Paul Craig Roberts. He asks a clear and logical question: “If the problem is what the public has been told, namely that defaulting subprime mortgages are reducing the income flows through to the holders of the mortgage-backed securities, why isn’t the bailout money being used to refinance the defaulting mortgages and to pay off the foreclosed mortgages?” That sounds reasonable, doesn’t it? He answers that this “would restore the value of the mortgage-backed securities, and it would not be necessary to pour huge amounts of taxpayers’ money into recapitalizing banks and purchasing their bad assets.”

Roberts goes on to ask a more penetrating question: “How does a 7% or 10% default rate on U.S. mortgages translate into a systemic *worldwide* financial crisis? The authorities have blamed subprime mortgages for the crisis. Why then does their solution fail to address the problem of the mortgages? Instead, the solution directs public money into an increasingly concentrated private financial sector, the management of which has escaped accountability for the financial chicanery that, allegedly, threatens systemic financial meltdown unless bailed out by the taxpayers.” He concludes that something fishy is going on. “Perhaps my nose is too sensitive,” he says, “but this bailout doesn’t pass the smell test.”¹⁹

Frank Partnoy agrees with Roberts. As it currently stands the government could spend much or all of the proposed \$700 billion rescue money to buy complex derivatives held by Wall Street firms. Why not instead, directly purchase the actual mortgage loans?

In an op-ed piece for the New York Times he writes:

Congress should give the Treasury authority to purchase only the real financial assets at risk — the actual loans — not the derivatives whose prices depend on the values of those loans. If the government takes this approach, and buys and renegotiates mortgage loans directly, it will indirectly support the mortgage-based derivatives that have caused widespread losses at banks.

Regulators and legislators have struggled to explain how a government program to purchase these bets would help resolve problems in the credit markets. Their explanation makes no sense. Buying derivatives whose value is linked to home mortgage loans won’t resolve the underlying difficulties in the mortgage markets.²⁰

Other commentators have observed the very same thing. Partnoy provided testimony to the United States Senate about the dangers of derivatives trading before the current crisis even began — even before Bush began his homeowners initiative, back in January 2002. Apparently they weren’t paying attention.²¹

Members of the United States government are also asking why the bailout money is not being used to prevent foreclosures and make loans. The Financial Services Committee held an oversight hearing on the implementation of the Emergency Economic Stabilization Act of 2008. Committee Members questioned Treasury Secretary Paulson, Federal Reserve Chairman Ben Bernanke. Chairman

Barney Frank said in his opening remarks, “the fundamental policy at issue is that funds are not being used to supplement mortgage foreclosure reduction.” House Representative Nydia Velazquez challenged that there was no obvious strategy to increase lending and stop foreclosures, and Representative Carolyn Maloney highlighted that the money is instead being used to further concentrate financial control: “Today’s Wall Street Journal talks about insurance companies that are buying up banks just to get access to the TARP money. And we read that banks are using TARP monies for buying other banks. We’re funding mergers and acquisitions, and still not lending.”²² Actually nobody knows quite what is being funded, nor can they find out.

When the Associated Press contacted 21 banks that had received at least \$1 billion in government money and asked them how much has been spent and what was it spent on, none of the banks would provided specific answers, nor would they say why they were keeping the details secret. They don’t have to. That requirement was not stipulated in the emergency legislation quickly pushed through to provide \$700 billion for shoring up failing banks. What is clear is that the plan is not working to put money into the real economy. Remember, all money that the economy functions on is loaned into existence. Without loans the economy will grind to a halt, and it is. Although the money was ostensibly given to make their balance sheets healthy so that they could lend, they are not doing so. What should we expect? Give these people billions of dollars without any requirements and they will do what they want. They may well use it to buy up failed businesses and homes for pennies on the dollar.²³

What are we supposed to think? Is the current crisis an accident? An act of God? Failure of oversight? Or is it instead an economic Chernobyl? When what is expected to happen when safety measures are removed does happen, is that an accident? Or is it done by design and with intent? We have enough clues to answer this question.

We have serious reason to believe that the managers of global financial institutions and governments are not stupid people. It is not plausible to believe that they are simply making foolish mistakes. Judging by the result they have deliberately created this crisis. Let’s summarize what was done:

Interest rates were reduced to all-time lows making it much easier for buyers to qualify for loans; Bush’s government put pressure on banks and mortgage lenders to provide loans to unqualified buyers through liar-loans, no-money down loans,

or even provided down-payment money for them; they gave such loans the appearance of federal guarantee through Freddie Mac and Fannie Mae backing. They removed the incentive from lenders to make sure that borrowers were qualified by changing laws allowing the mortgages to be securitized. The lenders no longer had to worry about the future losses on the loans, because they had already cashed out. Securitization of these bad loans was advertised as a way to diversify and thus reduce the risk, but in reality it spread the problem internationally. Fannie Mae and Freddie Mac, which got affordable housing credit for buying subprime securitized loans, became a magnet for the creation of enormous volumes of increasingly complex securities that repackaged these mortgages.

The credit rating agencies, such as Moodys and Standard & Poor, which themselves were unregulated gave AAA ratings to these mortgage-backed securities. The ratings agencies even helped these securities qualify for higher ratings that gave false comfort to conservative investors such as banks, and they were gobbled up internationally.

Christopher Cox, chairman of the SEC stated that current credit market crisis “began with the deterioration of mortgage origination standards”, and that it “could have been contained to banking and real estate, if the financial markets had not become so interconnected.” But that connection was deliberately allowed by killing of the Glass-Steagall Act. Cox identifies the bigger problem stating “If the original cause of the mortgage crisis was too-easy credit and bad lending, the fuel for what has become a global credit crisis was credit default swaps. What amplified this crisis, and made it far more virulent and globally contagious, was the parallel market in credit derivatives. They multiplied the risk from the failure of bad mortgages by orders of magnitude, ensuring that when the housing market collapsed the effects would be felt throughout the financial system.”

One needn't be a central banker to understand the above relationships of cause and effect. Certainly they could see this before the fact. Is this why the government made sure that CDSs were not regulated? Is this why this market operated for the most part over-the-counter? Is this why unlimited naked (meaning they buyer of the CDS was not required to be the originator of the loan) credit default swaps were allowed to be placed on such securities by banks and other financial institutions? Is this why they tied the hands of the regulatory agencies, drastically reduced the numbers of regulators, allowed blatant fraud to occur in lending and in the face of that reduced the prosecutions?

As the SEC's Chief Accountant Lynn Turner testified "if honest lending practices had been followed, much of this crisis quite simply would not have occurred." We see above that arrangements were made to see to it that honest lending practices were not going to be enforced. The inevitable then happened beginning when the Fed raised interest rates. Home owners started to default on their payments causing their underlying securities to fall in value, and requiring issuers of credit default swaps to get additional money to protect their positions. Unable to do so they incurred increasingly large losses. Bear Stearns was propped up but the far larger and strategically more important Lehman Brothers was allowed to collapse, setting off the fall of the dominoes. Lehman's defaults threatened the entire system. Credit rating downgrades for such firms would then lead to further requirements for additional collateral, accelerating the downward spiral. Investors concerned about these firms' deepening problems fled their stocks. Slumping stock price led to a loss of customer confidence, often precipitating customer withdrawals and "runs on the bank" that have so far been averted only by the government giving billions of dollars away for free, and no questions asked how they intend to use it.

It was all predictable. It is not an accident. It is an economic Chernobyl incident and it was deliberately created. Neither is it going to be fixed, despite seeming efforts and claims to the contrary. Those who set the financial system ablaze in 1999, have been called back to put out the fire.

President Obama's new team

President-elect Obama in announcing those who will fill key positions in his economic cabinet said: "I've sought leaders who could offer both sound judgment and fresh thinking, both a depth of experience and a wealth of bold, new ideas, and most of all who share my fundamental belief that we cannot have a thriving Wall Street without a thriving Main Street." Don't believe it. The President-elect is appointing the very architects of financial deregulation that led to this crisis. Whoever thinks that this economic team is going to bring bold new ideas should not hold their breath waiting for any improvements.

As noted earlier the Federal Reserve Bank of the United States is a private institution, not a part of the federal government, and not accountable to the people. However that may be, they have great power of the country because they control the money supply. It has always been the fact that those who achieve high positions in the Fed do so because of their loyalty to the interests of the Fed, not the people. Moreover, Bush has now put the entire economy in the hands of the Fed, and they

will be working from both sides because the new Treasury Secretary will be Timothy Geithner who was previously CEO of the Federal Reserve Bank of New York, which is the most powerful private financial institution in America. Geithner has also worked for the global social-engineering firm Kissinger Associates and has held a senior position at the IMF. He is a member of the Council on Foreign Relations, another private institution that has great influence on the policies of America but is not accountable to the people.

Assisting him is Lawrence Summers as the Director of the National Economic Council. Summers played a key role in lobbying Congress for the repeal of the Glass-Steagall Act, and was among the main architects of the Financial Services Modernization Act. His timely appointment by President Clinton in 1999 as Treasury Secretary was instrumental in its passage. As Chief Economist for the World Bank from 1991 to 1993 he contributed to shaping the macro-economic reforms (SAPs) imposed on numerous indebted developing countries mentioned in an earlier chapter. The social and economic impact of these SAPs imposed by the IMF-World Bank were devastating and resulted in increased poverty to the benefit of the financial powers. Summer's stint at the World Bank coincided with the collapse of the Soviet Union and the imposition of the IMF-World Bank's deadly "economic medicine" on Eastern Europe, the former Soviet republics and the Balkans. Summers is also well known among environmentalists for presenting the perverted logic that the toxic waste of the advanced countries should be dumped in Third World countries as a cost-effective measure. Summers is not concerned about the lives of people, but only with making money at their expense, and he has a long track record to prove it.²⁴

And the new in-charge of the Securities and Exchange Commission chosen by Obama is Mary Schapiro. Why was she chosen? Because of her very impressive credentials? She currently heads the Financial Industry Regulatory Authority (FINRA), was president and is now chairman and CEO of the National Association of Securities Dealers (NASD), was formerly a SEC commissioner, and ran the Commodity Futures Trading Commission. The problem is that these are industry dominated organizations who most often act to protect the industry from investors. In keeping with that Schapiro is widely controversial because her track record is one of protecting fraud, not prosecuting it.

As one commentator puts it: "What that [Schapiro's appointment] signals to me is that Obama wants no change at all in the desultory regulatory apparatus that has utterly failed the American people."²⁵ And another opines: She "has spent her

career protecting the securities industry from investors.”²⁶ William Galvin, Secretary of the Commonwealth of Massachusetts, calls the FINRA system “an industry sponsored damage-containment and control program masquerading as a juridical proceeding.” Under Shapiro’s watch FINRA missed the Bernard Madoff scandal that cost investors upwards of \$50 billion, the Auction Rate Bond fraud, and the credit default swap mess that propels the economic Chernobyl crisis. She has long been an advocate that Wall Street should be self-regulating, an idea that Christopher Cox, chairman of the SEC has declared to be a failure.²⁷ Says Cox with feigned naiveté: “We have learned that voluntary regulation does not work. . . It was a fateful mistake [that no one was given the authority] to regulate investment bank holding companies other than on a voluntary basis.”²⁸ Who is he kidding? Any schoolboy knows that the people on Wall Street are not going to regulate themselves. It wasn’t a fateful mistake. It was a deliberate policy of the Bush administration.

Obama’s new economic team is an “old boys network” of officials and advisers who rotate between the Treasury, the Federal Reserve Bank, the IMF, World Bank, Wall Street, and Washington think tanks. These appointments demonstrate that there will be no change on the economic horizon, only more failures and inadequate excuses. And why do we want these particular captains in place? Because they are working together to create

A New Financial World Order

Just after the Bear Stearns brokerage firm was sold off in March we began to hear that “financial firms face a new world order.”²⁹ The idea has gained enthusiasts including many world leaders ever since — even Russia wants to be included. Russian Prime Minister Vladimir Putin called for a radical overhaul of the world’s financial and trade institutions to “reflect the growing economic power of emerging market countries including Russia.” Putin said the world needed to create “a new international financial architecture to replace an existing model that had become archaic, undemocratic and unwieldy”.³⁰ Indeed, it has become unwieldy because of more than 30 years effort to undermine it.

British Prime Minister Gordon Brown called for a new global financial system late in September 2008 to bring an end to the current economic turmoil. Just several weeks later he again called for “a new financial architecture for the global age”, stating that the Bretton Woods system devised after the second world war was out of touch with the new world order.” The financial crisis, he said, should be

used to make world leaders agree to fresh rules and regulations under a “long-planned new global financial order”. “We are proposing a world leaders’ meeting in which we must agree the principles and policies for restructuring the financial system across the globe.”³¹

In October George Bush met with President Sarkozy of France and European Union Commission President José Manuel Barroso and agreed to a summit meeting to address the economic crisis. In their statements both Sarkozy and Barroso called for a global solution. “This is a worldwide crisis and, therefore, we must find a worldwide solution,” said Sarkozy, and Barroso reiterated the plea: “This is a global financial crisis that requires global solutions. . . We need a new global financial order.”³² Earlier in an address to the UN General Assembly Sarkozy’s called “upon all states to join ranks in order to found the new world order of the 21st century on the notion that the common goods that belong to all of humankind must be the common responsibility for us all.” “America.gov” reporting on the meeting, headlines the article “Major Countries Consider New Global Financial Order.”³³ The effort is obviously being made to convey to the world that a new world-wide financial method is going to be established. Perhaps this is said to reassure people that they are working on the problems with the idea of fixing them. But they have admitted that these changes have been long-planned and waiting in the wings. This is the modus operandi that Klein repeatedly demonstrates in *Shock Doctrine*. Having previously prepared the changes that are to be introduced, a shocking pretext is created that gives the opportunity to install them.

What does that new financial order entail? For one thing, the elimination of national currencies in favor of regional currencies, and eventually, a global currency. Another aspect will be integration of the banking system and other financial functions with government, and we will see the financial interests overtly controlling governments, not the other way around.

Now the very people who have created the problem want us to believe that the problem lies in the system itself and that it requires an international body, and major changes to the international system of finance to fix it. This crisis has been deliberately created to provide an excuse for dramatically overhauling the current system to lead to concentrated financial powers, the integration of those financial powers with the state, and establishment of regional currencies. All of these are steps leading to integrated global finance and from there to a global, or one world government.

French president Sarkozy blames financial speculators for the economic woes, as if governments were previously powerless to control them. Does he think people believe that? They very well have the ability and have exercised it in the past. Sarkozy also castigates the moral nature of speculative capitalism calling it an “immoral system” one that needs the oversight of the — much more moral — government leaders. While he is certainly correct that speculative capitalism is an “immoral system,” his motive is to use such lambasting as an excuse to further integrate banking and financial interests. This is what is being created when, instead of following Paul Roberts’ advice and dealing with the problem, money is shoveled into banks giving the government an equity position. The result will be that governments own the banks, or perhaps it is that the banks that will own the governments.³⁴

The new Treasury Secretary laid out the international solution while he was still in charge of the New York Fed. In typically obtuse banker jargon he said: “The institutions that play a central role in money and funding markets – including the main globally active banks and investment banks – need to operate under a unified framework that provides a stronger form of consolidated supervision. We need to put in place a stronger framework of oversight authority over the critical parts of the payments system, but the infrastructure that underpins the decentralised over-the-counter markets. . . the Federal Reserve should play a central role in such a framework, working closely with supervisors in the US *and in other countries*. The key words “the institutions,” “unified”, “infrastructure”, “consolidated supervision,” “framework”, and “other countries”, indicate the creation of a world central bank and with it a world currency.³⁵

Just as the events of 911 were used as an excuse to invade Afghanistan and Iraq, the contrived economic crisis is being used as an excuse for bringing about wholesale changes in the economic system. Nobel prize-winning economist Robert Mundell, who is considered the intellectual fathers of the euro, provides the logic—and the method—of creation of additional regional currencies. He “predicts” that without currency reform, the global monetary system is headed for a “real” dollar crisis within five years. I used the quotes because any “prediction” of “real crisis” can be made to happen to convince reluctant leaders to support the prescribed changes. Such predictions can be used to bring about the prescribed changes. Since the dollar is the reserve currency of most of the world nobody wants to see the demise of the dollar. Using such threats as their impetus China, with a huge reserve pile of 1.6 trillion dollars, is now taking the lead to reform the global

monetary system and create a new international currency. China's dollars would be put into an IMF account and used as backing to create a new international currency.³⁶

Similar news is being heralded from the Council on Foreign Relations (CFR), a private organization whose membership "coincidentally" includes an overwhelming number of people who find top posts in the American government. CFR's Director of International Economics, Benn Steil, writes in the organization's mouthpiece *Foreign Affairs* about the end of national currencies. (If you want to know the future read *Foreign Affairs*, since the ideas proffered by the CFR uncannily come to pass). Steil writes that "countries should abandon monetary nationalism. . . monetary nationalism is simply incompatible with globalism. . . The world needs to abandon unwanted currencies, replacing them with dollars, euros, and multinational currencies as yet unborn."

Steil continues to say that governments should abandon "a mythical past of monetary sovereignty, with governments controlling local interest and exchange rates in blissful ignorance of the rest of the world. Governments must let go of the fatal notion that nationhood requires them to make and control the money used in their territory." But why should they do that when the value of their currency so greatly affects the quality of the lives of their citizens? Instead he says that they should replace national currencies with the dollar or the euro or, in the case of Asia, collaborate to produce a new multinational currency over a comparably large and economically diversified area."³⁷

Economically there are no good reasons for doing this. Jane Jacobs demonstrated quite clearly in her book *Cities and the Wealth of Nations* that the best economic systems serving the needs of all citizens are always very local and isolated. We discussed above how this principle was established by Friedrich List who explained the need of protection of tender industries and markets. It is also the method used by the United States, hypocritically in the name of free trade, to its benefit at the expense of others. So why do we want to accept a regional currency or a global one? Because this is a stepping stone along that path to a global government for whom Mudell and Steil are skills.

Zbigniew Brzezinski was America's National Security Advisor under president Carter from 1977 to 1981. He is sometimes considered the Democratic party's equivalent of Henry Kissinger. Both men have been, and continue to be, leading figures on the world political scene, and Brzezinski is said to be one of the powers

behind President Obama. In 1970, almost forty years ago, he presented a prescient and strikingly accurate account of the future in *Between Two Ages: America's Role in the Technetronic Era*. Therein he described events that needed to take place to form the new world order — events that are taking place on the international scene today:

Today we are again witnessing the emergence of transnational elites whose ties cut across national boundaries. . . their ties cut across national boundaries, their perspectives are not confined by national traditions, and their interests are more functional than national. It is likely that before long the social elites of most of the more advanced countries will be highly internationalist or globalist in spirit and outlook. . . Increasingly, the intellectual elites tend to think in terms of global problems. One significant aspect of this process is the way in which contemporary dilemmas are identified. . . these are all global issues. . . The nation-state is gradually yielding its sovereignty.³⁸

Another requirement Brzezinski cites as being necessary to achieve a new world order is the sacrifice of American dominance. How can there be a one world government in which one player dominates all of the rest? Is this why the American government exported her manufacturing industries to China and southeast Asia during the 90s? Is this why the dollar is slated for “downsizing”? Is it America’s demise that we are now witnessing as her economic woes lead the world economic crisis? Brzezinski wrote:

In the economic-technological field some international cooperation has already been achieved, but further progress will require greater American sacrifices. More intensive efforts to shape a new world monetary structure will have to be undertaken, with some consequent risk to the present relatively favorable American position. Further progress would in all probability require the abandonment of restrictions, imposed by Congress on the international activities of American corporations and on their foreign subsidiaries and plants.³⁹

Brzezinski refers to “efforts to shape a new world monetary structure”, and that convergence has been taking place over the past two decades, creating financial conglomerates and harmonizing regulations. In recent months it has been the further consolidation of the banking industry that is making global integration easier. Joan

Veon, an astute economic reporter, has been analyzing economic news from the global perspective for the past two decades. She writes:

The globalization of our financial system goes hand in hand with the need for a global stock exchange and global accounting system to harmonize the cross-border activities of transnational corporations and banks. To facilitate this process is the interdependence, or mutual dependence between countries, which came about as the barriers fell. With a globalized stock exchange, insurance system, and accounting system, we will need a global regulatory system to accommodate the changes from national to international. This all fits with recent calls for a global central bank.

According to my analysis of the various activities, which are now referred to as the sub-prime crisis, the mortgage crisis and the world liquidity crisis, our financial system, which reflects the last vestiges of national sovereignty, must be changed. The recent proposal by the Treasury Department called “Blueprint for a Modernized Financial Regulatory Structure” is being touted as the antidote for our sick economy.⁴⁰

We have to understand that in order to integrate the world economically, all that remains are the structural changes: from national accounting rules to global accounting rules, from national clearing and settlement to a global system of clearing and settlement; from national regulatory laws to a global system of regulatory laws; and to bring the U.S. into a 21st century global regulatory system by tearing down the current system and globalizing all our financial and securities laws. In other words, the very last vestiges of our economic sovereignty are being changed before our very eyes because of another trumped up credit crisis.

Let me also point out that we now see treasury officials and central bank ministers acting in concert. Before 1998, they acted independently; today they act and think as one. In reality, we are seeing the global empowerment of a central banking system which is now global. They are now creating the conditions to give them the rest of the regulatory powers they still lack.⁴¹

According to Veon “The Blueprint” constitutes the final take-over by the Federal Reserve Bank of America’s entire economy. While the Fed was originally given power over the banking system, they were not given power over savings and loans, state chartered banks, or credit unions. Nonetheless The Blueprint recommends changing the banking charter to include *all* financial institutions. The Blueprint explicitly allows the Fed to bring America into line with the regulations of other nations.

The nationalization of the mega-mortgage lenders Freddie Mac and Fannie Mae largely accomplishes another of the goals of The Blueprint — the federalization of America’s entire mortgage system. As Veon puts it “this is as a result of the sub-prime crisis which appears to be an event that *just happens* to fit into the changes our national system needs in order to be globalized.” Not only will the federal government own the banks (but not the voting stock) it will also own all of the real estate! The U.S. government is also bailing out the Big 3 automakers and may take their stock in exchange as well. In time we may see that the government also owns all of the means of production.

This is pure socialism — Soviet style. Soviet leader Nikita Khrushchev while addressing the United Nations in 1961, took off his shoe, and beating the table with it to emphasize his point shouted: “We will bury you!” Not physically, but ideologically. Indeed it appears that his prediction is coming to pass. America has now become what I was led to believe Soviet Russia was in my youth. In my child’s mind, so heavily influenced by government propaganda we were told that the Soviet government owned everything and their administrators decided who would get an a place to live or a refrigerator; that their media was nothing more than a propaganda machine for the state; that spies were everywhere and nobody could be trusted; that an citizen could disappear at any time, picked up by the state and held without bond or notification of any kin. Almost all of this is now true in America, a country once championed as the home of liberty and freedom. But that freedom is very tenuous and written into laws such as the Patriot Act, already on the books, are the legal methods that can make that freedom vanish at a moments notice. Let’s be careful not to forget the nature of the demonic — they have nothing but contempt for normal people and consider it foolish not to exploit them. Their plans are intended to lead us into a trap from which there is no escape.

A “new financial world order” means just that — a way of living that is vastly different from what we now know. What we are witnessing are the necessary changes being put into place to create a one-world financial system in which the

economies of the entire world function as one system and controlled from one central hierarchy. The next step is the further consolidation of banks and the integration of the financial economy with government. We see this already with the nationalization of banks and insurance companies in America and Europe. Banking systems will be further amalgamated into one system controlled from a central bank of central banks — the Bank for International Settlements in Zurich Switzerland. New regional or even world currencies will be introduced. Since economic systems and government will be so inextricably mixed, and since economics will be controlled from one central bank, we will have a *de facto* one-world government. This new system will allow a very small number of people to overtly control the economics, and destinies of all the people across the globe. Many popular writers who see this coming are raising a cry to warn us of the impending danger:

- Joan Veon: I have maintained since the beginning of the credit crunch last August that it was planned and managed destruction in order to accomplish the final transfer of America's financial sovereignty, and the final destruction of the middle class.⁴²
- Dick Eastman: A few international bankers are bringing the human race to destitution and slavery in order to make themselves gods – and only you and I – yes the people who are so used to merely watching and commenting on world events – are the only ones who can do the job. Governments will beg of the Rothschilds for whatever harsh measures they ask for. We will have to come up with a better plan and carry it out ourselves against the money power and their yes-men agents of coercion.⁴³
- Bob Chapman's International Forecaster: They take great pride in their evil, nefarious work of destroying the current world system of nation-states, so that in the ensuing chaos they can create a corporatist, fascist police state where they get to play "lords of the universe" while we, their serfs and slave laborers, live in abject poverty and bondage, catering to their every whim. Or so they hope. Fortunately for us, God is making other plans, and His plans are the only ones that will prevail in the end as the Illuminist scum receive their final comeuppance.⁴⁴
- Aubie Baltin, Ph. D. writes in *The Death of Capitalism*: As the recessions all over the world grow progressively worse, the cry for

bailouts grow ever louder as the realization that a worldwide depression is becoming increasingly likely and the proposed solutions are becoming more and more Marxist. The Socialist, Populist takeover of the world's education systems has made sure that there are NO Economists from either side of the isle that even know what real Capitalism is let alone understand it.⁴⁵

It's curious, isn't it, to see this all developing, as if by itself, as though it were not guided by an intelligence, yet somehow or other converging at a neat arrangement global in reach and impact. Rather like the idea of atheistic evolution whereby mere chemicals self-assemble into proteins, cells and living organisms. And just as impossible. What it is all leading to is suggested by the experiences of Europe.

The “Country” of Europe

Jean Monnet is considered to be the founding father of European unity. As the head of France's General Planning Commission he authored the plan to create the European Coal and Steel Community, forerunner of the Common Market. Although having a modest aim of centralized control of the previously national coal and steel industries of its members, it was declared to be “a first step in the federation of Europe.”⁴⁶ Later the European Economic Community, or the Common Market, was created to facilitate trade between member countries. These organizations were later morphed into the European Union (EU) in 1993. Common Market began with the idea of knocking down trade barriers and tariffs so that all Europeans could benefit from the creative productivity of their neighbors. Political union although feared by some was dismissed as unnecessary fear-mongering. Never, Not so, came the reply. British Prime Minister Ted Heath for one, promised no reduction in national sovereignty. But the free trade area led to a community and the community to a union. In 2005 fears of a political union were sustained when the EU attempted to pass a Constitution, but put to a popular vote the French and Dutch voters rejected it. Those intent on political unification however, didn't hear the voice of the people in the vote. “The French and Dutch did not really vote ‘no’ to the European constitution,” insisted Luxembourg's Prime Minister, Jean Claude Juncker. And Germany's Chancellor, Angela Merkel decided for them that “the constitution is still necessary.”

The constitution was then repackaged as the Lisbon Treaty and passed by all but one of the 27 member “states” (they already have stopped calling them

countries). The Irish were forced by law to put the issue to a vote, and their 5 million voters scuttled the entire deal, which had to be ratified by all member countries in order to take effect. However, their rejection of the Lisbon Treaty was treated as the “wrong” answer. It was widely claimed that the Irish simply didn’t understand the treaty, and must have been confused. The European Commission President Jose Barroso said that EU member states should continue ratifying the Lisbon treaty. Not satisfied with the outcome, nor willing to accept the will of the Irish people the Unionists have been offered a series of concessions to encourage them to think about it again and have another vote.⁴⁷

They already have a common currency, a flag and a “national” anthem. Now all they need is a political union to go along with it.

This political union has not arisen spontaneously on the part of the people, but has been another long-planned affair by behind-the-scenes elitists. Never elected to public office, Monnet worked behind the scenes of American and European governments. After becoming a member of the National Liberation Committee, the French government in exile, Monnet declared the intention of forming a political union that supersedes national sovereignty:

“There will be no peace in Europe if the states are reconstituted on the basis of national sovereignty... The countries of Europe are too small to guarantee their peoples the necessary prosperity and social development. The European states must constitute themselves into a federation...” His plan was to arrange this transformation economically first. “Via money Europe could become political in five years” and “... the current communities should be completed by a Finance Common Market which would lead us to European economic unity. Only then would ... the mutual commitments make it fairly easy to produce the political union which is the goal.”

Democracy be damned. There *will* be a European state. The method is simple: economics leads, politics follows. Europe is the testing ground for the rest of the world. In the new world order countries as we now know them will no longer exist. They have served their usefulness and are no longer needed. Hence they will be discarded regardless of what you may think of your glorious motherland. Strobe Talbot, Clinton’s Deputy Secretary of State in 1992 has let us know the future that awaits us: “In the next century, nations as we know it will be obsolete; all states

will recognize a single, global authority. National sovereignty wasn't such a great idea after all."⁴⁸

And, shades of Milton Friedman, Monnet advocates using the shock doctrine: "People only accept change when they are faced with necessity, and only recognize necessity when a crisis is upon them."

Well a crisis is now upon us. Do we yet accept the change that is about to come?

A New World Order According to Our Leaders

What has happened to Europe is now in the process of formation for the entire globe. As a result of economic strife a new economic order will be ushered in that will purportedly solve the problems, and as we have already heard, those solutions will be global. Once we have achieved a global financial system linking all countries "mutual commitments [will] make it fairly easy to produce the political union which is the goal."

Indeed. This New World Order has been called for by the heads of state and leading international figures for many years. Here are just a few examples:

- Mikhail Gorbachev, while still premier of the Soviet Union, in an address at the United Nations in 1988 stated: "Further global progress is now possible only through a quest for universal consensus in the movement towards a new world order."
- Every crisis is used as an opportunity to tell us it will give birth to a new world order. In his speech to the nation and the world on September 11, 1990, George H. W. Bush said: "Out of these troubled times, our fifth objective — a new world order — can emerge...."
- President Hosni Mubarak of Egypt, is quoted in *The New York Times* (April 1995) as saying that the renewal of the nonproliferation treaty was described as important "for the welfare of the whole world and the new world order."
- At the Gorbachev State of the World Forum in October, 1995 former National Security Advisor Zbigniew Brzezinski said "the new world order will emerge step by step and stone by stone."

- Arthur Schlesinger, Jr., in *Foreign Affairs* (July/August 1995), the house magazine of the Council on Foreign Relations, said: “We are not going to achieve a new world order without paying for it in blood as well as in words and money.”
- Internationalist Henry Kissinger stated in January 2009 that he had been struck to see how much the move toward a new global order has been enhanced by the recent crises. The chaos of the financial crisis he says is to be a segue for “constructing an international system.” Carefully framing his comments in global terms he continued: “There are so many elements in this world at the moment that can only be dealt with on a global basis. . . all of these issues necessitate a global approach, so you don’t have to invent an international order. So every country has to mitigate its pure national interests by the global necessities, or define its national interests by global necessities.”⁴⁹

Kissinger appears to be speaking from Bzerzinski’s notes — nations thinking in terms of global problems and mitigating their pure national interests because of global necessities. Although Kissinger and Bzerzinski are members of “opposing” political parties, their thinking is remarkably similar, and they curiously share a common globalist vision for the future.

- On the inauguration day of President Obama, Kissinger boldly said that “the alternative to a new international order is chaos”:

“International order will not come about either in the political or economic field until there emerge general rules toward which countries can orient themselves.

“In the end, the political and economic systems can be harmonised in only one of two ways: by creating an international political regulatory system with the same reach as that of the economic world; or by shrinking the economic units to a size manageable by existing political structures, which is likely to lead to a new mercantilism, perhaps of regional units.”

It is unprecedented that all the principal actors on the world stage are avowing their desire to undertake the transformations

imposed on them by the world crisis in collaboration with the United States.⁵⁰

- Tony Blair’s speech to launch his Faith Foundation at the Time Warner Centre in New York on May 30th, 2008: “the characteristic of today’s world is change. The consequence is a world opening up, and becoming interdependent. The conclusion is that we make sense of this interdependence through peaceful co-existence and working together to resolve common challenges ... we are [all] members of a global community as well as individual nations [which] means we must be global citizens as well as citizens of our own country.”
- David Rockefeller openly admits in his memoirs his involvement in bringing about a one world government: “Some even believe we are part of a secret cabal working against the best interests of the United States, characterizing my family and me as ‘internationalists’ and of conspiring with others around the world to build a more integrated global political and economic structure – one world, if you will. If that is the charge, I stand guilty, and I am proud of it.” (p. 405)
- French President Nicolas Sarkozy and German Chancellor Angela Merkel echoed Kissinger’s call but in more veiled terms early in 2009. Sarkozy: “In the 21st century, there it is no longer a single nation who can say what we should do or what we should think ... we cannot accept the status quo.” And Merkel called for better-regulated financial markets saying that the International Monetary Fund has failed to regulate global capitalism. Consequently, she envisioned the creation of a global economy body at the United Nations to orchestrate the economic policies of all national governments. She stated that “[The system] cannot continue as it is.”
- At the same conference the European Competition Commissioner Neelie Kroes, encouraged that “global rules” on government aid to companies would be “helpful.” In fact, Kroes admitted that “A closer network of competition systems is slowly emerging after decades of work.” (*Decades?* Apparently this has been in the works for a very long time)
- And that one world government will come one way or another according to a member of one of the most elite banking families, James Warburg:

“We shall have world government whether or not you like it, by conquest or consent.”⁵¹

What is meant by these references to a “new financial world order” and a “new world order”? This phrase is being used as though it had a commonly understood meaning, but that is far from being true. Why then the equivocal language?

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From here on the story becomes necessarily somewhat speculative. What exactly the New World Order and the New Economic World Order is can only be conjectured at this point. It is our studied opinion however that the explicit meaning of these terms will be immediately obvious to all people in the world in a very short period of time as the call for a New World Order is fulfilled. Our projections are based on circumstantial information that is available, not on wild speculation. Circumstantial information is, by the way, admissible as evidence in a court of law and juries can draw conclusions based on such evidence. That is what you will need to do. All that is required is to connect the dots. Following are some of the dots. It will be up to you to connect them and draw your own conclusions, which may be different from mine.

A New World Order for You?

The new financial world order paves the way for the new world order in which the activities of every day life will be dramatically altered from what we know today. This will include a paradigm change at a level that will affect every man, woman and child on this planet. Recall that the modern nation-state, along with fiat currency, wage jobs, and factory work were created to shift the dominant paradigm to what we have today. This was only one step along the path to total control. Upon reaching the 21st century the technology is available to make the control complete. The nation-state has served its purpose and is now an obstacle. It must be abandoned, discarded, and this has been long in the planning. Historian Arnold Toynbee back in 1931, speaking before the Institute for the Study of International Affairs in Copenhagen said it plainly: “We are at present working discreetly with all our might to wrest this mysterious force called sovereignty out of the clutches of the local nation states of the world.”⁵² A one-world government does not recognize sovereign countries, and indeed they have not been referred to with that word in the media for more than a decade. Have you noticed that nations are no longer

referred to as countries, but they are simply called “states”, as though they were already political units of a larger government.

The new world order refers to a coming paradigm shift that is being planned on a scale similar to that which occurred leading us from the medieval period to the industrial revolution, discussed in my book *Lessons in Spiritual Economics, Part 1, Understanding and Solving the Economic Problem*, available from [here](#). The new paradigm will give us new ways of living and specifically a different manner for the handling of our economic affairs. In order to bring this shift about the entire world landscape is now being rearranged.

For most people the phrase “new world order” typically brings one of two things to mind: a would-be global government superseding national governments, meaning the end of nation-states and national sovereignty, perhaps a global government run by the United Nations; or the efforts some believe are currently underway, operating through various loosely-knit groups such as the Royal Institute for International Affairs, the Round Table, the Council on Foreign Relations, the Trilateral Commission, the Bilderbergers, and others, who have a hidden agenda to create such a global government. It could also be a combination of the two. The agenda itself is sometimes called the New World Order conspiracy.

Does such an agenda actually exist, or are statements about conspiracies to create world government nothing more than psychotic paranoia? With the advent of the internet the question has become easier to answer, for anyone with a discriminating intelligence who takes the trouble to investigate the claims. It is important to keep in mind that conspiracies are not something far-fetched. They regularly occur in business board rooms around the world whose members discuss in secret how to increase market share, profits and so on, often illegally, as cited above. Actually, it is a mistake to label the events of today as a conspiracy, which by definition operates in secret. While the initial efforts to build a new world order may have begun in secret, all the evidence is now quite in the open and easy to find. They even put it on their own websites and herald it from their podiums, because they feel that the plans are already too advanced for anything to be done to change the series of events that have been set in motion. It is now often called an “open conspiracy.”

I might add that the reason that many people do not take such claims seriously is because such notions threaten what the Srimad Bhagavatam refers to as “fallible soldiers” in whom most people find shelter. That is, everyone must have a worldview

from which they understand what this world is, who they are in relationship to that world, and a means of feeling secure. Without these things we cannot function. Typically most people take shelter of their government, their job, their family, their money, their position in society, and so on. These are the building block of our temporary ego, or false ego, in relationship to this body. These are the most basic of all needs as identified by Abram Maslow for example, in his “hierarchy of needs.” The Bhagavatam refers to these are fallible soldiers because, however much we find succor in them during life, none of them can give us shelter at the time we need it most — the time of death. And during our lives if any of these suddenly fail us, say we find ourselves divorced, or lose our job without warning, we become quite traumatized because the loss threatens our very sense of identity. Therefore it is difficult-to-impossible for many to admit that our government not only does not provide the shelter that we need, but is in fact undermining the system that they have created for people to take shelter of.

Nonetheless a global collective awakening to that fact occurred on September 11, 2001. Given the huge amount of information available online: the timeline of events, the people involved, the victims, those who profited and other possible motives, the hundreds of unanswered questions, and the aftermath, a very different story is found from the officially offered version. By 2006 a full 84 per cent of Americans questioned in a poll by the New York Times and CBS News rejected the official story of the American government. They felt that either the government was illegally hiding something (a conspiracy by definition) or was actually involved in the events that killed more than 3,000 of their own citizens.⁵³ Many highly educated scientists, engineers, pilots, firemen, on-the-ground witnesses, ordinary citizens, as well as hundreds of millions of concerned people all over the world, think that the explanation presented by the United States government, that Bin Ladin and associates plotted and carried out the aerial assault, is the actual “conspiracy theory”.

Suspicious of banking interests conspiring for global control have been confirmed by insiders. Dr. Carroll Quigley, a highly-respected senior-level professor of political history at Georgetown University, studied the inner workings of the global cabal. He wrote:

There does exist, and has existed for a generation, an international Anglophile network which operates, to some extent, in the way the radical Right believes the Communists act. In fact, this network, which we may identify as the Round Table Groups, has no aversion to

cooperating with the Communists, or any other groups, and frequently does so. I know of this network because I have studied it for twenty years and was permitted for two years in the early 1960s to examine its papers and secret records. I have no aversion to it or to most of its aims and have, for much of my life, been close to it and many of its instruments. I have objected, both in the past and recently, to a few of its policies. . . but in general my chief difference of opinion is that it wishes to remain unknown, and I believe its role in history is significant enough to be known.

He lays it all bare in the 1,300 pages of *Tragedy and Hope: A History of the World in Our Time*. Therein he tells of the conspiracy for control and the means:

The powers of financial capitalism had another far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements, arrived at in frequent private meetings and conferences.⁵⁴

Many economists, investigators and writers have detailed how the captains of finance have created and manipulated the system to bring it to resemble what Quigley describes. Eustice Mullins and William Griffin have revealed the conspiracy and machinations behind the creation of the Federal Reserve Bank. Alexander Del Mar detailed the history of monetary crimes in a book by the same name, and F. William Engdahl has shown how every major bank panic was deliberately triggered behind the scenes by the banks themselves in order to further consolidate their grip on U.S. banking. The private banks used the panics to manipulate Washington policy including the private ownership of the Federal Reserve the United States' central bank.⁵⁵ Financial warfare is wielded skillfully by them, and there is plenty of evidence to allow us to believe that the present crisis is just the latest chapter of a long sad history of deliberately created crises to manipulate the public's opinion and their acceptance of loss of freedom.

Through long years of planning and hard work everything has been orchestrated to create the global financial crisis. It is designed to bring the present financial system to ruin and the world into chaos so that a "new financial order," a new international world order can be created under the direct and absolute control of

the money masters. In other words, the looting of the world economy is a prelude to the coming World Bank and World Currency of the coming World Government. And what is that government going to be like?

Brzezinski tells of its personal character, and how the lives of people will become “highly controlled”. In *Between Two Ages* he wrote:

The technetronic era “involves the gradual appearance of a more controlled and directed society. Such a society would be dominated by *an elite unhindered by the restraints of traditional liberal values. This elite would not hesitate to achieve its political ends by using the latest modern techniques for influencing public behavior and keeping society under close surveillance and control.* Under such circumstances, the scientific and technological momentum of the country would not be reversed but would actually feed on the situation it exploits. . . . Persisting social crisis, the emergence of a charismatic personality, and the exploitation of mass media to obtain public confidence would be the steppingstones in the piecemeal transformation of the United States into a highly controlled society.⁵⁶

Who wants to be controlled and dominated by an elite? Is this aspect of Brzezinski’s planning also coming to pass? Predicting the future is always a risky business, but we have the roadmap in our hands, and we can see that we have already passed several important landmarks along the way. *When* will we arrive at that destination is the question. If we are off in our predictions by a matter of decades so much the better. And if we are prepared and can see that future coming to meet us, perhaps then we will actively attempt to thwart it. Many however feel that it is already too late for that. Let’s look a little further into the possible future that awaits us.

What exactly are the “latest modern techniques for influencing public behavior and keeping society under close surveillance and control?” This refers to the

Micro-chipped Population

Microchip Pioneer Dr. Jose Delgado was a Spanish professor of physiology at Yale University, famed for his research into electrical stimulation of regions in the brain. He began his research into the use of pain and pleasure for mind control under the auspices the fascist regime in Spain during WWII. Much of Delgado’s

work was with an invention he called a “stimoceiver,” a radio which joined a stimulator of brain waves with a receiver monitoring electroencephalogram (brain) waves and sent them back on radio channels. The stimoceiver could be used to stimulate emotions and control behavior. According to Delgado, “radio stimulation of different points [of the brain] produced a variety of effects, including pleasant sensations, elation, deep, thoughtful concentration, odd feelings, super relaxation, colored visions, and other responses.”

Delgado developed a small three-channel stimulator which can be placed beneath the skin with terminal leads to be implanted within the brain. The instrument is solid state, has no batteries, and can work indefinitely. Delgado stated that “brain transmitters can remain in a person’s head for life.⁵⁷

Delgado was hired by the CIA in 1974 to experiment with miniaturized electronic implants in human beings. He appears to have been fully convinced that control of human beings was not only inevitable but necessary. In a speech recorded in the Congressional Record, Dr. Delgado, speaking as if a mad scientist from some science fiction movie boldly declared “We need a program of psychosurgery for political control of our society. . . Man does not have the right to develop his own mind. . . We must electrically control the brain. Someday, armies and generals will be controlled by electric stimulation of the brain.”⁵⁸

At least one report states that control of people through the use of implanted microchips has been accomplished using a device called the IBM 2020 Neural Implant. A confidential memo leaked from Intelli-Connection, a security division of IBM, stated that testing of implants had been successfully carried out in privately owned sanitariums. It further stated that they had entered into contractual testing of their product with a correctional institution, although such testing was illegal at the time. In these tests the implanted chip was capable of rendering subjects lethargic and prone to sleep for extended periods of 18-22 hours per day, to refuse recreation periods, to make them docile, even if provoked, and to completely disable them.⁵⁹

Regarding plans to micro-chip people on a mass scale, Hollywood director and documentary film maker Aaron Russo has publicly stated that the ultimate goal of the elite is to reduce the population and give micro-chip implants to those who remain. This exposé by Russo can be viewed on Google Video. He says that these astounding revelations were made to him by Nick Rockefeller who attempted to recruit him into the world’s elite after he began his campaign to become Governor of Nevada.⁶⁰

During one conversation, Rockefeller asked Russo if he was interested in joining the Council on Foreign Relations but Russo rejected the invitation saying he had no interest in enslaving people, to which Rockefeller coldly asked why he cared about the “serfs.” Russo asked Rockefeller what the point was, saying “you have all the money in the world, you have all the power you need, what’s the point, what’s the end goal?” to which Rockefeller replied that the end goal is “to get everybody chipped, to control the whole society, to have the bankers and the elite people control the world.” Russo was assured that if he joined the elite his chip would be adjusted to avoid undue inspection by the authorities.

Russo says that Rockefeller predicted an “event” eleven months before 9/11 that would trigger the invasions of Iraq and Afghanistan, that there would be an “endless war on terror where there’s no real enemy and the whole thing is a giant hoax,” so that “the government could take over the American people.” Rockefeller was cynically laughing and joking as he made the astounding prediction. Rockefeller was often keen to stress his idea that “the people have to be ruled” by an elite and that there were “too many people in the world,” and world population numbers should be reduced by at least half.

Such a bizarre concept may seem too incredible to some to ever become a significant reality, but there are dozens of examples of people accepting implanted chips for a variety of reasons. In 2004, Mexico’s attorney general and 160 of his office staff were implanted with tracker chips to control access to secure areas of their headquarters. The Baja Beach Club in Barcelona and other nightclubs around the world are already offering implantable chips to customers who want to pay for drinks with the wave of a hand and also get access to VIP areas of the club lounge. It is likely that people will be induced to accept an implant for the many benefits that would accompany having one, such as being able to avoid waiting in lines, watching lights snap on, doors open automatically, and money pop out of ATMs as they approach. Chipped people would never have to show an ID, buy a ticket, carry keys, or remember a password. They could leave stores loaded with packages walking past the cashiers. Asked in a survey whether they would get a chip implant to take advantage of such benefits, 24 percent of respondents said they would.⁶¹

A recent law passed in Los Angeles required lost pets to be injected with a telemetry implant before being released from the pound. These implants are connected to the Global Positioning Satellite (GPS) system. If the pet is ever lost again it can be immediately located by GPS monitors. Similar implants can now

placed into newborn children at many hospitals. The selling point to the parents is that the children can be easily located if they ever become lost. United States' troops can also be implanted with telemetry chips so that their positions could be located on the field of battle to assist in rescue operations.

A Transformed World

As mentioned this is an open conspiracy. We are being told where we are going and can clearly see it if we want to pay attention. Another glimpse into the future comes from the United States' National Intelligence Council, in their report entitled "Global Trends 2025: A Transformed World".⁶² The authors of the report include the U.S. intelligence community along with leaders of business, prominent academics, powerful think tanks, and hundreds of other experts from around the world. We can understand by the very fact that they were consulted for this study that these people have played significant roles in bringing us to where we are today and are also involved in shaping the future. We are told that the study is not a prediction but more of a description of the factors likely to shape events. And what do they say?

- There is a prospect for a new Bretton Woods to "regulate the global economy," and renovate the IMF, resulting in a new international system.⁶³
- The financial landscape will become "genuinely global and multipolar,"⁶⁴
- The dollar could lose its status as the global reserve currency becoming "something of a first among equals in a basket of currencies"⁶⁵
- By 2025, nation-states will no longer be the only – and often not the most important – actors on the world stage and the 'international system' will have morphed to accommodate the new reality. Although states will not disappear from the international scene, the relative power of various non-state actors will grow and influence decisions on social, economic, and political issues.⁶⁶
- Individual nation-states will be unable to resolve pressing transnational problems, and "the need for effective global governance will increase faster than existing mechanisms can respond."⁶⁷

In other words, the solution to growing international problems resulting from current political and economic activities meant to integrate the entire world, is more of the same — further international governance overseen by the same interests

that created the problems. Instead of retreating from the ill-conceived and ill-functioning international system that they are creating their solution is to further complicate the manner in which we live. Don't be fooled into thinking that this is going to make things better. A not-so-hidden agenda lurks behind the do-gooders mask — a one-world currency, a one-world economy, and a one-world government.

The Underlying Objective

The new world order or new economic order is a new chapter in the plan for ruling the world. In the economics of passion we learned how the powers-that-be decided to change the manner in which people lived in order to exploit them further. With that began the concept of the modern nation state, an industrial civilization, the money economy, and wage work. But it was incomplete. There is still an underground economy flourishing around the globe that is completely off the books. People are still free to pursue their own ideas of what to do, how to live. The control isn't complete. Now the technology exists for the control to be complete and total, and therefore it is time for a new economic order, and a new world order.

It is a fact that the demonic control this world and we know the nature of the demonic mentality – they want it *all* – another way of saying that they want global conquest and complete control. Everything they do is meant to take them closer to that goal. Therefore we can see the current economic problem, not as a problem per se, but rather as a means, a sub-goal, or even as a solution to an altogether different problem – that of global conquest – which I shall call the underlying objective. The underlying problem is never visible to the public because it is not the public's problem, nor is it to be understood by the public. It is the problem of those who control the world. It remains shrouded in mystery and hid behind lies. Such methods are the status quo of world politics. We need no better example than how President Bush used false-flag attacks, death, and lies to involve the United States in a protracted war without a clear goal in Iraq and Afghanistan. Moreover, we are specifically told that there is no end to this war, and that there is not even a clearly defined enemy. Beware! He may show up at any time and in any place. He may even be us! The underlying objective is militarily control of the Middle East indefinitely.

If we understand the underlying objective we can observe the pattern of activities as they unfold to reveal the trend and the end-game. Understanding the goal we

have a whodunit before the fact. The challenge is to thwart their plan and recapture control of the world for the protection and benefit of all. A small number of people are acting in concert to conquer the world. A similar number of people acting concertedly can save the world. The script has been written and played countless times. The only difference is that *we* are now part of the cast, and we will experience the result. This is not vicarious living through fictional characters broadcast on a wide-screen with surround-sound. After the bad-guys win we don't snap back to a different reality when the trailer ends, the lights come on and we walk out of the theater. If the bad-guys win the hellish reality of the wage slaves of Bangladesh will become everyone's living nightmare.

One writer describes our situation like this:

“The leaders have all conspired to bring about the “post-industrial revolution,” which is nothing less than the wholesale destruction of the Western industrial base, a planned Financial Meltdown of the West, the total liquidation of the middle class and a micro-chipped population. The people of the Western World are in the middle of a profoundly disturbing social engineering exercise. For the first time in history the Political Elite of a mature civilisation is waging a campaign of aggressive discrimination against its indigenous populations.”

Despite what the leaders say and claim getting to that ominous future is quite a different task than just saying “new world order.” Yet it is very clear that this is the direction in which they want to go. Unfortunately there are very few people who understand the agenda, and fewer yet who will take action to avoid it. How many of us want to go there? Still it is clear that the entire world has arrived at a crossroads in time and a choice must be made *now*. If we do not make it with conscious intention it will be made for us and we won't like the result. And to choose a different future is quite a different task than just saying “I don't want a new world order.” Many people who understand the situation advocate armed revolution. Will that work? What then? What will the current system be replaced with? The most fundamental question before us is this: what will actually solve *all* of the problems? The answer to that question is given in my book *Lessons in Spiritual Economics* available from [here](#).

Endnotes

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