A WEEKLY COMMENTARY

# ON TARGET

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*The price of Freedom is eternal vigilance –*

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**THOUGHT FOR THE WEEK: China....money....mining....power:** The world is changing, but thanks to the meaningless din created by right and left wing pundits, no one's seeing it. Some cold reality about what's happening to the balance of power in the world (is needed). While right wing and left wing pundits in the U.S. bray on and on about trivia, there's been a major shift in world power with China putting the rest of the world in a headlock – and barely anyone has noticed.

According to a recent *New York Times* article, China now currently produces 93% of all the world's so-called rare earth elements and more than 99% of the output for two of these elements.

**What are rare minerals used for?** Oh, nothing terribly important. Just missiles and green energy technology and other fringe stuff like that. China has declared they're going to continuously cut down their exports of these vital raw materials and compel the manufacturers that need them to set up their facilities in China if they want access to them. Not only that, but China appears to be the only country left on earth with cash so they're in a perfect position to pick up the mineral resources of countries like Australia, the U.S. and Canada at fire sale prices.

Ever heard the phrase "game over?" But don't worry, the U.S. will continue to grind down its forces and finances in one pointless military engagement after another. Great strategy.

And right wing "free market" economists will continue to reassure us that not only can afford the wars, but also that by getting big screen TVs cheap from China, we're getting the better part of the deal. Treasonous idiocy. Interestingly, I was only able to find one relevant Youtube video with the keywords "china mining." Talk about off the radar. This one's a clip about China's ability to call the tune and make Australia dance. – Video: http://www.brasschecktv.com/page/700.html

"How to take over a nation without firing a shot! War by other means! The absurd result of a system of faulty finance." – Wallace Klinck, Canada.

**THE MAD, CRIMINAL, HATTER'S TEA PARTY by Betty Luks:** "It is blatantly obvious that our economic system lacks homeostasis, that debt has a positive feed-back leading to devaluation and social disaster, ***and that what is required is a negative feed-back of counter-debt to establish an equilibrium.*** In so far as we live in a world in which values are determined by debt-money, not only money but all other values on which it has an impact are also being devalued, not excluding our religion, as we are experiencing in our society today." – Geoffrey Dobbs, *The Local World Part XII.*

If you think carefully about Geoffrey Dobbs' observation in the above statement, you will realise that the Labor government did, in fact, seek to provide some equilibrium to the teetering debt-money-system. They injected extra money into the system the wrong way, by saddling future generations with the repayment of that debt, but their actions have revealed that they also understand that the consuming public do not have the equivalent to the debt in purchasing power. Hence the 'bailout' in a desperate attempt to keep the financial system from imploding altogether.

We encourage our readers to view – and promote – the videos "The Black Magic of the Money Cult" and "Financial Credit Versus Real Credit" on the League website. You can watch and learn at your leisure the truth about the money system – and how it can be righted!

As an afterthought, I wonder how the leaders of the Anglican Church of Australia would feel at the thought (should they read the following article) that their $100 million loss on the stock market might have resulted from their financial advisers' bad gambling habits?

**The financial stress in Australia's homes:** According to Dun & Bradstreet chief executive, Christine Christian (*The Australian*, 7/8/09), the rising risk of loan defaults underlined the potential for the global financial crisis to become a personal credit crisis in many Australian homes.

The Labor bailout of the fraudulent financial system has saddled Australians with so much extra debt, that 33% of Australian postcodes are now within the "high-risk" category of financial distress. This figure is up 30% on the same time last year, according to a Dun & Bradstreet study. Since increasing the first home-owners' grant, a sharp rise in credit obligations has been observed, revealed the Dun & Bradstreet study.

The research found that 29 of the 50 most financially stressed suburbs, are in the first home-owners' belt, which includes outer Melbourne suburbs of Chirnside Park, Cranbourne and Carrum Downs and Sydney's western suburbs Mount Druitt and Auburn.

It is important that the people wake up to the massively fraudulent financial/banking system that is controlling us* – and the criminal nature of those controlling the system. For that reason we republish the rather lengthy material from the American Casino movie trailer from Leslie and Andrew Cockburn on Vimeo.

**AMERICAN CASINO: "'American Casino': How Our Nation's Financial Sector Became a Massive and Unregulated Gambling Operation"** – *Source:* http://www.alternet.org/story/142267/

"The producers of the new documentary, "American Casino", don't tell you about the causes of the economic meltdown that's caused so much pain around the world. They don't tell you how Wall Street, having lobbied furiously to free itself from public-interest regulation, created a furious demand for mortgage-backed junk, which they had laundered into supposedly solid investments with an assist from friendly – read "bought off" – ratings agencies. They don't discuss how unscrupulous lenders hawked an array of gimmicky mortgage products to people who weren't qualified to take them out in order to skim off a fat stream of fees.

**Let those who lived it tell the story** – from the "creative" financiers who built the house of cards, to the brokers who pushed their products, and finally, to the people living on "Main Street" U.S.A., whose dreams of homeownership were effectively turned into weapons of mass destruction and detonated in the centres of the global economy.

And by opting to not tell a story – by leaving behind the narrator's voice that's so common to the documentary form – the story that gets told is incredibly powerful.

AlterNet recently caught up with producers Andrew (AC) and Leslie Cockburn (LC) to discuss how our nation's financial sector became a massive and unregulated gambling operation and how its ultimate return to reality is causing so many such pain.

**Joshua Holland (JH):** First, I want to know what inspired the film in terms of your understanding of what was lacking in the mainstream coverage of the housing meltdown? I mean, something made you decide to go out and make this documentary.

**Leslie Cockburn (LC):** Well, we started shooting this documentary in January 2008. So there wasn't a lot of coverage of the crisis, so to speak. There was some coverage over here of foreclosures going on in different states, and a little coverage of the kind of problems that had been happening on Wall Street, starting with a little crash that happened in August of 2007. And then the market was going up and down – in these wild swings.

And what struck us was, we looked at it and decided that it was not a crisis that was going to be over in three months or four months, but that it was going to be severe.

We made a judgment about that and decided to kind of just jump into a film. We'd been looking at some very sort of obscure stuff like bond insurers, who were re-insuring with companies that were broke.

There were signs that there was no money backing up a lot of what was going on, on Wall Street. There were enormous amounts of leverage that were borrowed. You know, just incredible amounts of leverage in these investment banks. So we decided that it could be a very serious collapse, and that's why we did it.

**(JH):** So you did this when ... I guess there were people like Robert Shiller, Karl Case and Dean Baker and a few others saying that this was a very serious collapse, but a lot of economists were writing books and monographs about why the housing market would continue to rise.

**Andrew Cockburn (AC):** Well, that's right. I mean, Ben Bernanke was saying the subprime problem could be contained. That was the mantra that the people who were long on the market were telling each other.

You know, we also were talking to people on Wall Street, smart people – of which there are not a lot – who were thinking and actually talking in rather apocalyptic terms. So that was one of the things that influenced us.

**JH:** Now you call the film American Casino, and it starts where the crisis begins -- with then-Sen. Phil Gramm, R-Texas, leading the charge for financial deregulation. Tell me about this idea of the American casino, of Wall Street being a gambling emporium as much as a staid haven for the investor class. We use that term a lot figuratively, but what you're saying is it's quite literal.

**AC:** It is. I mean, it really struck us when we started frequenting Wall Street financial houses, how people talk routinely – and not with any apparent irony – about bets. You know, about the fact that Morgan Stanley had bet on this and the Citadel Hedge Fund had bet on that, or their bet had gone wrong. And the more we understood, the more we realized that much of it is a bet.

**And I'll give you a literal example, which is the *Commodity Futures Modernization Act* of December 2000 that you referred to. It involved the legalization, basically, of Credit Default swaps. Which are a form of gambling.**

And the reason that the Act specifically protected them from state and local regulation is that otherwise, they would be regulated as a form of gambling. I mean, there are gambling laws in states and localities. And under those, these financial instruments would be illegal. They were made illegal at the time of the Depression because they were literally gambling.

**JH:** So the Nevada Gaming Commission could theoretically have regulated these like a poker game, almost?

**AC:** Well, when we showed the film at the Tribeca Film Festival, a guy stood up and said, "I work in Las Vegas, in a casino." And he said, "There, you know, we regulate it. It's regulated." And the difference between Vegas and Wall Street is that here it's unregulated.

**JH:** Now we go from this idea of a casino ... and you know, it's too bad that David K. Johnston had already taken the name "Perfectly Legal" for his book, because once we get past the casino, we start talking about the way that they laundered risk, and they re-laundered risk. **And in a sense, once we get past that point in the film, it starts to become more and more clear that we're looking at a crime scene as much as a gambling facility, aren't we?**

**LC:** **Well, what's shocking is when you really take it on board that we are all living in this casino.** I mean, it's a bit like *The Matrix*. You suddenly think, "Oh my God, I am inside that computer screen. My mortgage is on that computer screen. I, and everyone I know, and everyone in this country, is ... we're chips. We're chips in the casino." And that realization is a very big one.

**And talking about the crime** ... We were told that the people who were taking out these loans were greedy. It's really their fault, or it's all of our ... the crisis is all of our fault. But in fact, it isn't all of our fault. We came across that by really investigating this story at the community level, in cities like Baltimore.

First of all, people at lower income levels – they believe in their broker. The broker, to them, is like a dentist or a doctor. There is an assumption that what a broker does or a banker does is regulated. That there are some laws that ... you know, this can't be a scam.

If they say to you, "Hey, you can afford this. Your income level is just fine, and you can refinance," you say: "Terrific, that's great. I'm so glad that I can do this." You don't expect that in fact what they're doing ... and we have brokers in American Casino who explain how this is done ... is that you say that your income is $2,500 a month. They write down $2,500 a week, or whatever fits into their computer program. And then that is buried in paperwork, and when you go to the closing, you don't even know what's in all those pages that are as thick as a phone book.

These closings were often scheduled at the end of the day so that you'd have to pick up your kids at day care, as one community lawyer in Baltimore points out.

**This is a crime. This is people being lied to, people being squeezed, people being scammed.** It really is shocking when you realize that really good people have been duped, and that they then default.

And the people who have given them this mortgage don't care, because they passed it on. It's this whole game of hot potato. You pass it on to the next guy, and then to the next guy.

As this incredible banker in the film points out, "There is no skin in the game. Get your fees up front, make a lot of money, pass it on to the next guy."

So the only person who is destroyed is the person who was naive enough to believe in the system. The ones who believed that the broker or banker was actually a decent human being doing a job as a professional and giving them good advice. It's a shocking story.

**JH:** Now help us connect these securities based on bad loans – what economic bloggers have called "the s##t pile" – and how they were sliced and diced into these pieces that basically make them AAA-rated ... connect that to this lust for selling mortgages that people couldn't afford to service.

*Continued in* The Bulletin

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