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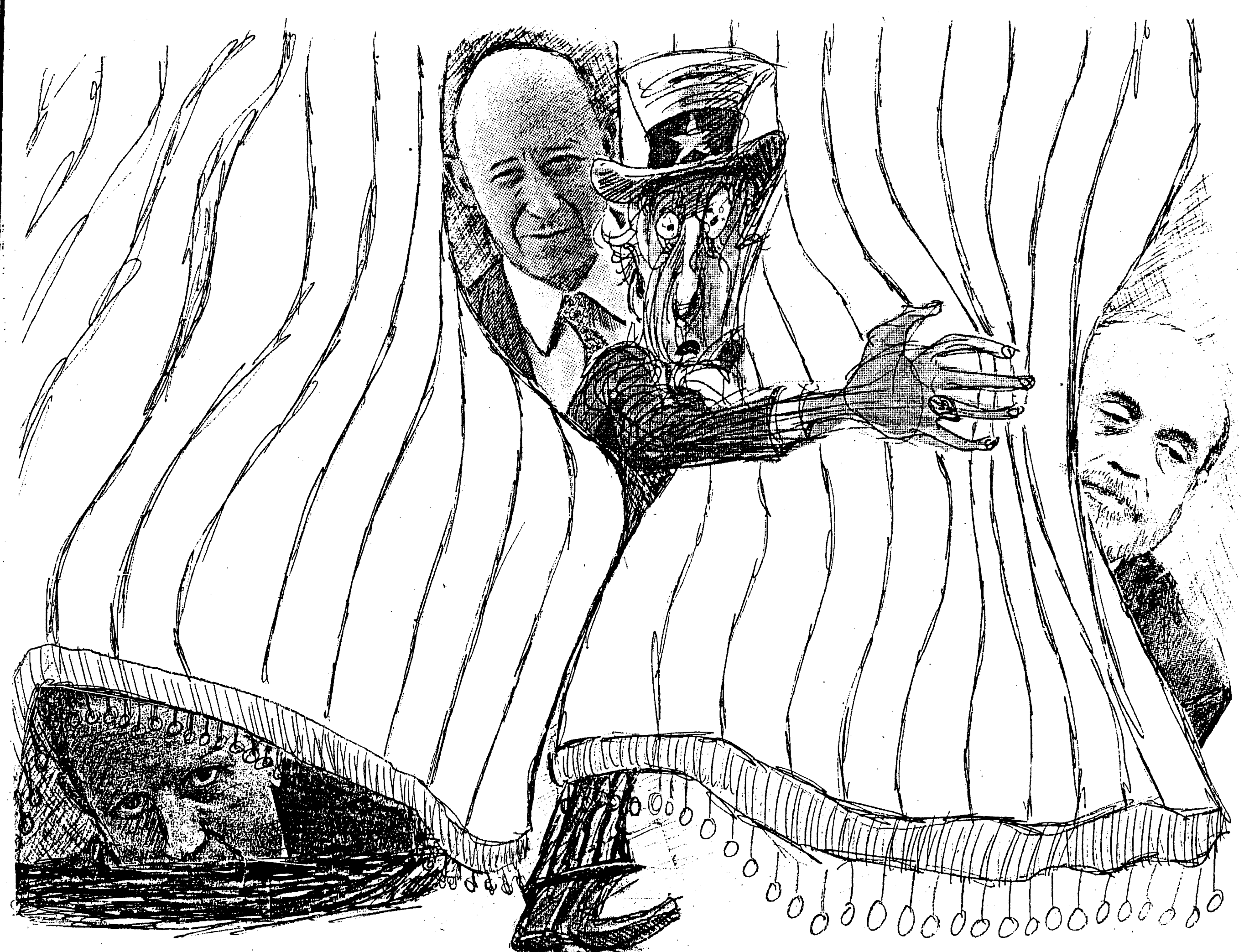
Behind The Curtain



The Full Monty
PART TWO

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 January 1st, 2010
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The Asian Currency Crisis

The Asian Currency Crisis became another hot bed of political chaos. This time, many people were starting to notice the **"club"** in other governments. It appeared that the currencies of South East Asia were being just attacked by a school of sharks.

It was now starting to emerge that the feeding frenzy was growing. There were bolder attempts to start screwing with the world economy for short-term hits. Nobody would speak out, and I was starting to get very tired of panic and crisis management. It was becoming more and more strange that I seemed to be running around trying to save something that no one else seemed to care about.

The **"club"** left it's finger prints all over this one. Political leaders in South East Asia were starting to publicly complain about the wave of professional trading that targeting their countries.

The **"club"** was becoming a sociopathic organization where they cared only about the instant profit and to hell with the rest of the world. I started to become much more concerning about the rising volatility. I turned to the computer to inquire about this problem and the projections I was getting back truly scared the hell out of me. I was looking at the future of western civilization being led down a path of total insane destruction.

For you see, with the ratcheting up of volatility is entwined the escalating forces of political instability. These two were in fact historically inter-linked. I felt often alone, trying my best to instill some reason to this madness. It was not easy. The phone kept ringing with crisis after crisis, but the boldness was also rising from the **"club"** and it seemed we were headed into a serious conflict and they would not listen.

I was invited by China to fly to Beijing and arrived to meet with the Central Bank to discuss this problem of the Asian Currency Crisis. They were quite concerned about the rising volatility, and the political conflict that restrained them from speaking publicly. They encouraged me to speak out and to make the points I had been writing about. They were concerned and their staff had worked on the trading desks in the West at major banks and knew my concerns were real.

Perhaps I was at first naive, but I had not at that time placed any covert links between **Robert Rubin** and efforts to aid the **"club"** as Secretary of the Treasury. I was raised to not judge people, and that has not always served me well when you are dealing with people who are just rotten to the core.

The Treasury was starting to try to talk the dollar down again, the same **PRECISE** mistake that they made going into the 1987 Crash. This was getting out of hand. On May 20th, 1997, I wrote to **Rubin** warning him that this stupid policy was the same one that caused the 1987 Crash. I also pointed out that the whole system of economic statistics were dead wrong.

I explained that all statistics were calculated on currency and not actual units of goods. So the 50% decline in the yen made the trade surplus in yen rise by 50% since it was currency and not goods that is being measured.

I warned **Rubin** that if the yen fell below 110, the Japanese would start to sell their holding of US government debt. They could not endure another currency swing as took place between 1985 and 1987.

The response was polite, and thanked me for my concern assuring me that they had no intention of trying to talk the dollar down. The comments stopped, and indeed the dollar moved up into 1998 just before the Russian crisis.

I was finding myself becoming some sort of an international priest that countries would complain to in hopes I would relay the message. We were becoming a clearinghouse so to speak, and the pressure was clearly building.

I began to start openly writing about the organized manipulations. I was not at that time giving names. But I would start to warn **"They're Back"** in an effort to tone down what was becoming insane. Clearly, they only lived for the moment. They cared nothing for the long-term, nor about the political damage I was starting to witness. This was not good.

Princeton Economics International Ltd

May 20, 1997

Mr. Robert Rubin
Secretary of Treasury
US Department of Treasury
Washington, DC

Dear Mr. Rubin:

The current conflicting statements out of the US and Japan over the value of the yen and Japanese trade surplus have obviously unleashed untold volatility within the foreign exchange markets that are endangering the stability of the entire global economy and capital flows.

I must point out that the US government has still not taken into account that the trade numbers as reported reflect only currency net movement and not actual units of goods and services. The methodology of trade statistics is a throw back to pre-1971 gold standard days when the value of money did not change. Subsequently, trade could then be easily monitored by merely following cash flows. Today, the floating exchange rate system has rendered all international statistics worthless and dangerous when used for political economic purposes. Comments relative to the US/Japan trade account reflect the sharp decline of the yen and not a substantial rise in actual exports of goods to the US.

We have investigated this matter very carefully and the true net sales of goods to the US from Japan have declined, despite the fact that the surplus in yen terms has risen 150% over the past year. If actual exports to the US had risen, then Japan's economy would be booming instead of the current dismal performance. Corporate profits would rise instead of decline, and above all, unemployment would decline instead of rising as is the current case in Japan.

We were one of the firms requested to help investigate the 1987 Crash by President Reagan. The conclusion of that investigation was clear. The Crash of 1987 was caused by a 40% swing in the value of the dollar over the previous 2 year period. That volatility forced investors to withdraw from the US market due to the view of the dollar, not their view of our assets.

Herbert Hoover also wrote in his memoirs about how confidence in the foreign exchange markets collapsed in 1931. He stated that capital acted like a loose cannon on the deck of a ship in the middle of a torrent. Capital rushed from one currency to another so rapidly

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that government was unable to form a committee fast enough to investigate what was taking place, no less prevent it from happening.

Our historical computer models are warning that unless the volatility in foreign exchange markets is reduced, we are endangering the stability of the entire global economy once again. If such statements do not seek to constructively reduce volatility instead of fuel it, you will see short-term interest rates in the US explode and your extremely short-term funding of the US national debt will seriously disrupt our entire economic future.

We have been in contact with our institutional clients in Japan. Their purchase of US government securities has risen from 7% to 33% of our entire US national debt. The majority are now telling us they can no longer endure this type of volatility in the currency markets and if the dollar/yen falls below 110, you will see massive liquidation of US government assets.

If you are not extremely careful with this issue of foreign exchange and trade surpluses, vague statements will cause the Crash of 1997 within a matter of months. If the dollar/yen does not stabilize, and soon, the current administration will go down in history next to that of Herbert Hoover.

Sincerely,

Martin A. Armstrong
Chairman of the Board
Princeton Economic Institute

cc: President William Clinton
Congressman Bill Archer
Senator Trent Lott

THE **Nineties** was when the **"Club"** first began to be known as the **"Billionare's Club"** for it was expanding to now include individuals. Of.course, those who strive to cover-up the whole **Club** will argue just about anything that anybody says is somehow wrong,or nuts, with no proof to the contrary.

As I have explained, the first time I heard of **Warren Buffett** becoming a trader rather than a investor, was in 1993 with the first silver manipulation. I assumed that his involvement in **Salomon Brothers** had now exposed him as a potential client for **PhiBro** who did one hell of a good job selling him on investing in silver. The whole CFTC confrontation, I also assumed was merely trying to protect him personally from the negative publicity of speculating now in silver.

As time went on, his name began to pop-up more frequently. The talk of the desks behind the scenes was that he was even pulling in Bill Gates into some of these deals. I never bothered to confirm that was true, but it is one of the reasons why the **"club"** began to be known as the **"Billionare's Club"** behind the curtain.

There were rumors of expanding into the ranks of hedge funds. **Long-Term Capital Management** was not the only one said to be involved. I also never was able to confirm if George Soros was part of the **"club"** or was the **"club"** mirroring his famous trade into the pound. He too lost about $2 bil in Russia, mirroring them in 1998?

The platinum manipulation was very bold. Now bribes were being paid to Russian officials to recall platinum to be inventoried. That sent prices soaring. Of course the **"club"** were all long for that one, and then they took profit and flipped short. Russia precisely came out and said they had found a bit more, and prices crashed. The timing was outstanding. **Ford Motor Company** brought lawsuits on that one.

They returned to silver in 1997. I put out a warning to clients that "they're back" and were going to take silver to $7 and crash it again. Once more the name **Warren Buffet** was attached. These wild manipulations, or the **"Great American Bubble Machine"** as Taibbi called it, was becoming far too aggressive and too often.

The head trader from AIG got in to see me from London by getting a board member who had been Margaret Thatcher's chief economic advisor to call me for a meeting. I was shocked when it turned out to be about silver. I was asked to stop talking about the manipulations and politely asked to keep my mouth shut. I declined, just saying I would not mention names.

They did not find that good enough. So a analyst in Connecticut most likely on the payroll of the **"club"** used his contacts to get the Wall Street Journal after me. When I got the call I was being accused of trying to manipulate silver. We argued, and the journalist demanded I give him the name of this mysterious manipulator. I got mad and finally told him it was **Warren Buffett** and he replied everyone knew **Buffett** did not trade commodities, and I said that's how much he knew. They came out with a story blaming me and the London newspapers ran stories now claiming I was the largest silver trader in the world. The problem was, they made this public.

The CFTC called asking where the silver manipulation was, and I told them in London. They called the Bank of England who summoned all the silver brokers for a urgent meeting the next day. **Buffett** came out and admitted he bought $1 billion worth of silver and he denied manipulating the market. Such a position was illegal under CFTC rules. Nothing happened and **Buffett** stopped any investigation dead in its tracks. This was the closest they came to being exposed for the English would have done so, its the Americans that the **Club** owns. If **Buffett** is a full member or a pawn is the real question, but $1 billion in silver is manipulation in US regs.

THE BOLDNESS of the **Club** simply took off. They knew that the Japanese brought back their cash in March for fiscal year end and then re-invested in April. The **Club** was targeting the Japanese yen for the March roll-over in 1999. It was getting out of hand. I found myself at great odds with the **Club** for my job was to protect my clients. From their perspective, I was the threat they saw to their entire operation. I stood-up at our annual conference in Tokyo held at the old Imperial Hotel, and warned the entire audience that the yen was the next target. I warned that they had to lock in the currency **when** they sold it for the roll or else they were going to be squeezed big time.

The Japanese understood what I was telling them to do. They did it. The roll was probably in the tens of billions if not more. My clients protected themselves and the yen squeeze failed. I was told by several currency desks at the time that the **"club"** had lost at least $1 billion.

No doubt there was developing an all out war between myself and the **Club.** I was strongly against these manipulations for I saw them as increasing volatility, not altering the cycle per se, but that would undermine the entire economy creating wave after wave of building instability. I saw a giant wave of building volatility that these guys were too stupid to realize what they were doing.

That was only the half-of-it. At the same time, the **Club** was lobbying hard to get rid of the 1933 **Glass-Steagall Act** that prevented securities, banking, and insurance industries from expanding into one another's businesses. That was repealled in 1999 championed by guess who - **Robert Rubin** who was now **Secretary of the United States Treasury.**

Meanwhile, **Henry Paulson** then head of **Goldman Sachs** was lobbying the SEC who regulated **Investment Banks** to allow them to use much higher leverage. The whole industry was now being turned on its head.

Nevertheless, these manipulation were getting bigger and bigger. They were now daring to control governments, <u>**not**</u> to create some one world government, but to further their manipulations and prevent both regulation and investigation. The worst to come, was the boldest attempt of all to manipulate the politics within Russia itself.

There had been much hope about Russia opening up and joining the democratic and capitalistic free markets. But the undertone of Russia had always been corrupt in its political circles. Yeltsin just happened to be at the right place at the right time and standing on a tank was good enough to now qualify him to run the country.

There was a great hope rising in Saint Petersbourgh that many in the West were at that time looking to as a possible leader for Russia. She was running for mayor of Saint Petersburgh who was shockingly assassinated shot in the head execution style. The press in Russia was given the story that she was a pawn of a Western Financier. My phone began to ring and I was asked for comments on this incident. I said I had no idea why they were calling me. I was then told that I was the Financier. It turned out her son was working in our London office, and that mere connection was being spun into somehow involving me. I thought at the time it was a desperate connection that made no sense. Later, it would seem to be somehow a scheme to tie me to Russia as perhaps cover for themselves.

The truth behind this mess, was that at least **Edmond Safra** was deeply involved in the **BLACKMAIL of** President Yeltsin to step down so they could gain control of all Russian resources to manipulate the markets in oil to metals. <u>**TWO**</u> versions exist, where either **Barisnofsy** would become the new head or he would install **Putin** assuming he would be a puppet. Either way, $7 billion disappears, **Yeltsin** mysteriously calls off the election, and **Putin** comes from nowhere. **Barisnofsky** after being an advisor to **Putin,** flees Russia and the mastermind **Edmond Safra** is murdered in Monaco within weeks. The truth may not come out for 50 years like the Kennedy Assassination.

ASSASINATION may be a strong word, but it is spot on for the fate that **Edmond Safra** suffered in Monaco on December 3rd, 1999. Within less than 10 days, the death of **Safra** scared the hell out of the US Government and they moved to throw me in jail on civil contempt for an alleged missing $1.3 million out of $3 billion. My partners overseas had an attorney there to observe. He got out of the courtroom and relayed to them that I was being railroaded, and that under no circumstances, should they ever come to the United States. They have not been here since. **Dominic Dunne**, the celebrated journalist, covered the real story of **Safra's** death that he was assassinated by the Russians. **Dominick Dunne** was someone who I was in contact with. He was on my phone list in New York. **Dominick** reported that "Monaco wants it all hushed up." **Dominick** had covered the story in **Vanity Fair** taking the position that the Government of Monaco was entwined in a deep conspiracy to cover-up the truth. **Dominick** reported that "Safra was obsessed with security. It was widely reported that he felt menaced, and considered himself a hunted man. Even before collaborating with the F.B.I. in 1998 and 1999 to expose the Russian Mafia's international money-laundering operation, he was apprehensive for his safety."

Where **Dominick** had assumed that when **Safra** turned in **Bank of New York** in August 1999 for allegedly engaging in a $7-14 billion money laundering deal, that **Safra** was being a good citizen. He did me just 3 weeks later.

When there were problems in our accounts, I called to speak to George Wendler. He refused to speak to me and just said he was a messenger from the board. That told me the direction was coming from **Safra**. I then called and offered to fly to Geneva to sort out this problem before turning to lawyers. I was then told that **Safra** left Geneva and went to Monaco for security reasons. I knew something was wrong. This was on August 27th, 1999. I went to my lawyer to file suit on Monday, August 30th. By the end of that week, the FBI was taking computers and records raiding the Princeton office before the week was out.

Dominick began to report the strangeness that was associated with supposedly a nurse setting fire to pretend he was saving **Safra** for some reward. **Dominick** reported he was told by a very prominent resident in Monaco that "there were two bullets in Edmond's body." He reported that Monaco had all of **Edmond's** staff sign "confidentiality oaths." Others were paid "$100,000 for not speaking to journalists or outsiders." **Dominick** wrote that there was no effort to rescue him with all the "manpower running around the premises for two hours." One of **Safra's** security people had the "key that would have unlocked the door to the bunker... But the Monaco police seized [him] ...and put handcuffs on him."

Dominick reported that when he flew to Paris to talk to close friends, he was bluntly told: **"Among friends, we avoid talking about it. It might not be what it is." Dominick** had also reported that the nurse who was set up to take the fall, Ted Maher, "wasn't supposed to be on duty that night. ... They put him and Vivian [who died with Safra] on at the last minute."

Dominick said of **Edmond,** he knew "all the secrets of the financial planet." He had long be suspected of laundering money for "Noriega, as well as the Columbian drug cartels. And both his bank and his private jet were alleged to have been pressed into service to move money and personnel during the Iran-contra scandal."

Edmond was famous for having armed body-guards with him at all times. **Dominick** wrote,

> **"One of the great mysteries of the case is that not one of the guards was on duty the night Safra died."**

Ted Maher said several men in black suits where breaking in. They stabbed him in the leg and he started the fire to call police. But they did not show up. They charged Ted instead to cover-up what took place that night for it went a lot deeper.

Strange, after being thrown in civil contempt to stop a Speedy trial I had moved for that would have been by March 2000 just 3 months away, the Government attacked all my lawyers, stripped me of all my research, and hauled the computers to the World Trade Center no doubt to try to break into them for the model. They could have copied the hard drives if it was really evidence they were looking for, but instead, they took every computer out of the office in whole. This was not about evidence. Something else was going on. If they wanted a trial, then why take all the lawyers away? One employee James Smith came face to face with one of the US prosecutors, **Brian Coad.** He told him I had moved for a speedy trial to save the company. **Mr. Coad** told him, "this case would never go to trial". When Jim asked him what did he mean, he said "never mind".

Dominick and I were in communication. I informed him after his story that it was not the Russian Mafia, but the Russian Government that involved even the **IMF** loans. Based on several reliable sources from Russia where I had my own contacts, the story went that **Edmond** had been working with the Russian Mafia that were Jewish - **Barisnofsky** and **Gazinsky.** The plot was to replace **Yeltsin** with someone who could be controlled. It was either **Barisnofsky** who would replace **Yeltsin,** or he would bring in **Putin** who was an unknown former KGB man. A $7 billion wire was steered through Bank of New York and **Safra** immediately ran to the Feds and said it was money laundering.

Barisnofsky became an advisor to **Putin** and seems to have believed he would be a puppet. **Putin's** anti-capitalist feelings came out once he had the power and it was clear, **Putin** was no pupet. Within just a few weeks, **Safra** is fleeing Geneva for his **Monaco** sanctuary and is killed Dec. 3rd of 1999. **Barisnofsky** who is said to have made **Putin,** flees to London where he was given political asylum. **Gazinsky,** fled to Israel. **Safra** setup Bank of NY and myself within August 1999. My lawyers were attacked and removed & I was thrown in on contempt.

No one can explain why Yeltsin, a free market guy, would turn Russia back to a former KGB for no reason. Besides my sources directly in Russia, I found myself also in jail with a Russian son of a diplomat who the US was trying to coerce as a "material witness" and knew precisely who I was. He too confirmed the same story. Every source I had came back with the same story-line. **Safra** was seen as the brains, and he was killed. He was a man who was never without his bodyguards. Yet they were all dismissed that night by his wife.

I was even taken on what is called a "proffer session" where the head Prosecutor Richard Owens, bluntly offered me a deal with no jail time if I just confessed to some wild conspiracy with Safra. I refused, informing him I did not conspire with Safra. He bluntly told me "we know you didn't steal any money. But we can't drop the charges."

At this April 2000 meeting, this very topic came up about Bank of New York. They knew now that Safra had set them up all around on both cases. I told them I knew they were not getting past the Minister of Interior in Russia who was blocking any access to find out where the money came from. I told them they would not get anywhere for the game had changed. Indeed, in the end, then nobody went to jail in that case. The Government stood up and praised the broker Lucy Edwards for her cooperation. That was it. When asked in court who was this money laundering of $7 billion for, she replied some ransom for a wealthy Russian business man. The judge asked no other questions and the case was burried.

Putin kicked the head of Safra's main Russian venture out cancelling his visa. The whole thing of Hermitage Capital was Safra's central figure in this bold attempt to gain control of the ultimate source for clever manipulations of the commodity game.

As for the male nurse, **Ted Maher**, well as in the United States, he was threatened into signing a confession. "They said, 'If you ever want to see her again or leave the country, you are going to sign this.'"

The truly startling development was the judge in the case admitted to a French newspaper **Le Figaro** that he'd colluded with other high-ranking Monaco officials to convict the male nurse. The court-appointed lawyers were in on the frame-up there as they are also in the United States. Judge **Jean-Christophe Hullin** admitted there was a secret meeting prior to the trial with one of **Maher's** lawyers present and the Chief Prosecutor. They agreed before the trial began with the judge that he was guilty and that the sentence was to be 10 years.

Human nature is the same everywhere. We can never trust criminal prosecutions in any high-profile case, for there are far too many political considerations and careers to work out. **Maher's** conviction was vacated and he was put on a plane and sent home. **So who killed Safra?** Nobody wants to discuss the matter.

Maher was at least suing **Monaco.** He could never do that with the Federal Government that holds itself above the law of all nations. **Maher** told the press, "I gave eight years of my life for the safety of my family."

Anyone who has been to **Monaco** knows how small a place it really is. When the smoke alarm went off at 4.53AM, it took the **Monaco** police nearly 3 hours to even

FIRE FURY: Ted Maher admits setting the fire in Monaco that killed Edmond Safra but says he did it to *save* his boss. The Post reported on the outrage of

TYCOON'S KILLER: MY 'FRAME-UP'

respond. Just what was all that about? Do countries do each other favors when it is critical and really necessary? All I can say, they wanted me to confess to being involved in a conspiracy with **Safra** in return for no jail. I told them to take that and shove it where the Sun doesn't shine, and they responded with more than 7 years of false imprisonment ensuring the courts would rubber stamp whatever they want. You believe in your country and then you are woken up by the fact that you have been betrayed by your own country and courts just no longer protect the people.

TECH STOCK BUBBLE

Sidney Weinberg who rose from being the janitor to the head of **Goldman Sachs**, had in fact steered the firm back to its core and continued to drive the firm into the field of underwriting public offerings. That field of business came to a head with the famous **TECH STOCK BUBBLE** going into 2000.

Before the merger with **J.Aron & Co** that blended the commodity world of ethics with that of finance, **Goldman Sachs** did not market itself as being the most aggressive nor as the place whose employees were the smartest and brightest bulb in the box. They were rather conservative and hestitated before getting back into the speculative bubble that nearly wiped them out in the Great Depression. It was truly the belending of commodities with Wall Street that altered the ethics and the way business was to be done with a focus on proprietary trading.

The old rule in underwriting that came post-Great Depression, was that a company had to have been in business for at least 5 years and it had to show profitability for 3 consecutive years. This gave way and what unfolded was the conversion of the NASDAQ market into the venture capital market.

Whether **Goldman Sachs** can be fairly now blamed for the **Dot.COM Bubble**, I would have to reply no! The fact that they got into the lead of this pack is a reflection of the complete collapse in the old ethics and the evolution of the proprietary issues that were to drive the firm we know today.

One of the last stocks to have been put on the IPO market in 1929 was Mausoleum Inc. that anyone who has flown in or out of JFK Airport will pass grave yards along the Belt Parkway. When you can take a funeral business and turn that into a IPO, it demonstrates that the real problem in 1929 was in fact too much money chasing too few stocks. There was indeed a shortage of stocks available to buy.

The **Investment Trust** collapse of those days took place for the same reason the bubble burst in 1966 and in the 2000 **DOT.COM** events. Whenever something is listed, it will be bid up and sold down far beyond its actual worth. The **Investment Trusts** were a listed hedge fund so instead of being valued at its assets, it was bid-up by speculators on anticipated profits. The same problem took place in 1966. I personally purchased Fidelity Trend that had peaked at about $54 and fell to about $7. It was listed and trading well above and then below its actual asset holdings. Since 1966, funds were no longer listed for this very reason. Mutual and Hedge funds have a value that is based upon net asset values, not the value of speculation by the marketplace.

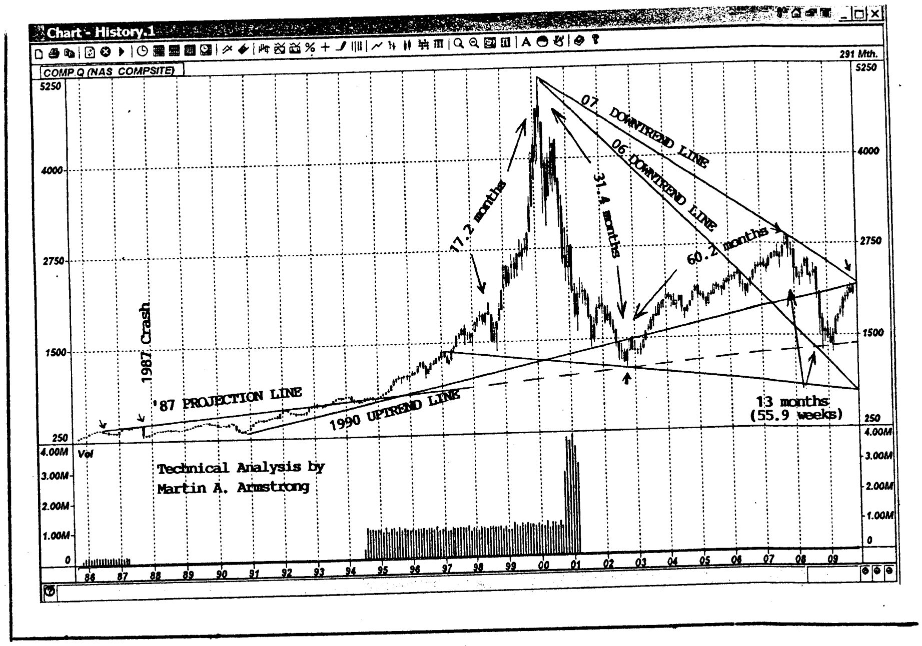
The **TECH STOCK** bubble was thus nothing different. The same thing took place with the railroad stocks. During the 1907 Crash, some stocks that sold for $400 had fallen to just a few bucks. **Goldman Sachs'** experience with this bubble nearly wiped them out in the Great Depression.

Had **Goldman Sahs** truly had the best and the brightest, they would have understood that they were leading people down a path that was disaster. That means there was either greed or stupidity to blame for this debacle.

There is no question that **Robert Rubin** in fact knew that the standards in underwriting had been changed and he knew well that what he was supporting was the same type of bubble that nearly destroyed **Goldman Sachs** before. It was **Goldman** who took **Yahoo!** public in 1996. In 1997, it took 24 companies public without profits under their belt in many. In 1999, it now took 47 companies public and in the first 4 months of 2000 going into the high, it had taken 18 companies public with 14 not showing a profit.

While I personally see nothing wrong with this type of business, I do believe it should be regulated differently insofar as the public should have separate disclosure. The Drefus fund became famous because it had done just this - it bought an IPO of a company that had invented something by the name **"Poloroid"** and the initial shares went up so far, they were like buying a stock a $1 and watching it go to $10,000, after several splits. The public **<u>SHOULD</u>** have an opportunity to get in on a new industry and make a fortune. It just should be disclosed that it is high risk/reward and not something you should put all you money into. It is no different than legalized casinos that use to be outlawed until the government figured out it could get in on the action.

Yet **Goldman Sachs** has ever since **Robert Rubin** adopted the bonus structure that today has everyone mad-as-hell, there has been a fundamental collapse in the ethics of the firm as a whole. The problem as I see it is the merger of banking, broker-dealer, investment banking (underwriting), and proprietary trading. This is a petri dish cultivating a huge conflict of interest that is far from healthy for the industry and the economy no less the image of the United States. This feeds the entire hatred that **Karl Marx** had tapped into and warns that this could even fuel violent unrest when the housing market gets worse.



Where **Goldman Sachs** crossed the line is in its practice of always trying to rig the game. In this aspect, it was called in the industry **"laddering"** whereby if you were a client of **Goldman**, then you got to buy in at the cheap IPO price. However, you had to agree to the buy additional shares at the market. In effect, they were securing volume and that the stock would rise by locking in future bids that they then possessed insider knowledge of in the market place.

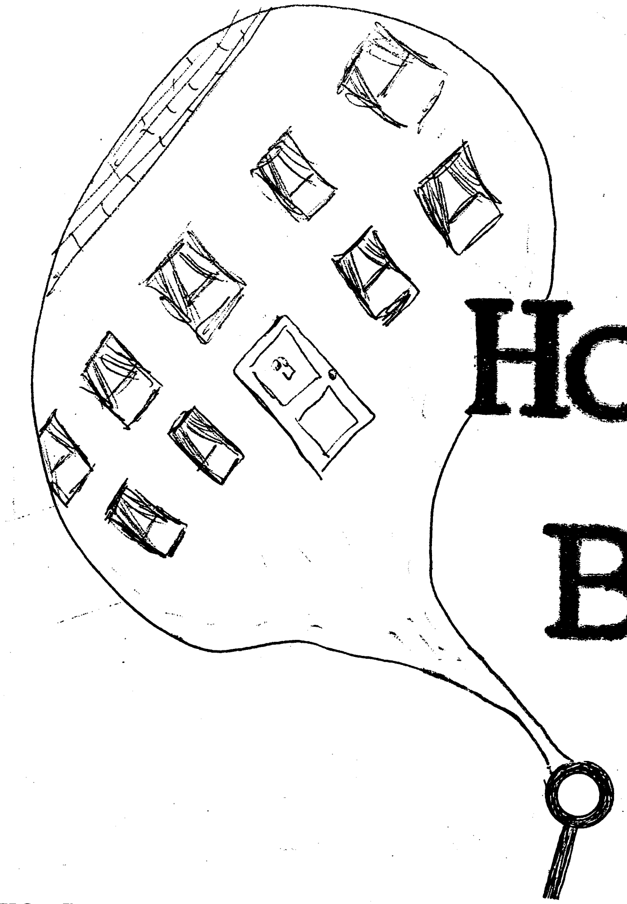
Goldman Sachs got its hands caught in the cookie-jar on this one. They were in fact manipulating stock prices, yet were never at any time criminally charged. In 2005, they agreed to pay $40 million to settle these laddering allegations.

Then there was the rigging of markets that they did known as **"spinning"** yet could have easily been dubbed also **"insider bribing of directors."** This scheme saw the initial offering price of an IPO priced cheap, as many have argued, and a portion of the stock is now paid to the CEO of the new company in return for future offerings. They did this in **eBay**, whose Chairman later joined the board at **Goldman Sachs, Yahoo!, Tyco, and Enron.** In 2002, this practice at least led to the **House Financial Services Committee** investigation of some 21 companies. **Goldman** denounced the report as **"an egregious distortion of the facts"** but then paid $110 million to settle the same case allegations that had been filed by **Eliot Spitzer** when he was Attorney General for the State of New York.

The talk about taking down **Eliot Spitzer** was this too had been orchestrated by the **"club"** for payback, and to send a signal that nobody screws with the **"club"** as it were. **Eliot Spitzer** had been known to many on **Wall Street** to be fond of the hookers. His public image of cleaning up New York City was only a show. He was after the big bucks to make a name for himself. That included **Goldman Sachs** and **AIG. Spitzer** had long known about the rumors about Wall Street, but what he did not take into account, was how much Wall Street controlled the federal boys and courts. So his fall from grace was prompted by the crowd he had targeted, but underestimated how truly ruthless the **"club"** had become.

Eliot Spitzer's political career was destroyed. Ask yourself, when has the Fed's ever cared about a politician's sex life? They don't! This was the retribution for his assault on **Wall Street ("club")** and there were loud cheers when he went down in flames as the Governor of the State of New York. The **"club"** flexed its muscle and the Feds did their bidding.

Robert Rubin had went to Washington with Clinton and became **US Treasury Secretary,** the most powerful position in the economy. It was **Jon Corzine** who now ran **Goldman Sachs** between 1994 and 1999. He left to become the Governor of New Jersey. Between 1999 and 2002, the bonus structure put in place by **Rubin** paid out $28.5 billion in compensation and benefits to its employees (about $350,000 per person).



The Housing Bubble

THE HOUSING BUBBLE

The Housing Bubble has been the worst of all manipulations that the **"Club"** has pulled off. They have wiped-out the baby-boomers who were counting on the equity in their homes to retire. This manipulation has revealed far more than the **sociopathic** behavior where they care nothing about the consequences to others or society, as long as they make their profit. They are like crabs in a bucket. They will pull on another to try to get out but cannot escape for each crab only cares about itself.

This particular manipulation required the subordination of government to the "will" of the **"Club"** for it is a simple rule - "**He who controls the rules, wins the game!**" Based upon numerous sources, including an anonymous letter from a member of the staff who worked inside the **"Club"** whose conscience has gotten the better of him, the illegal seizure of the the **Princeton Economics Int'l, Ltd**, was also necessary to control the flow of information to the contrary. This may also have a lot to do with how **Goldman Sachs' Head of Global Compliance** ended up getting a court appointment to run **Princeton Economics**, who went out of his way to shut down research not just in this area, but also in oil blocking the firm from constructing a model on oil at the request of the **Department of Energy**.

What this crisis is all about is the application of serious leverage that did not previously exist in real estate, to create a spike high no different than in the Japan share market back in December 1989. This has been a bull market that truly began in 1955 that culminated in a 51.6 year high, and as for its decline, we are not likely to see a restoration of this market until 2033. Once you wipe out a market in this manner, you destroy the capital formation from which the current generation will no longer trust that market again.

The worst of the lot has bubbled-up into this particular crisis. Where market making began as an honorable profession that one would stand in the middle to add liquidity and facilitate clients to get the business, what has emerged in this day is clients are looked at as targets. There is no longer honor, but attempts to now not only track client positions to anticipate what their next move will be to front-run, but now they're creating products with the underlying view of watching them blow-up so you can make a fortune on the other-side.

There is a serious issue here of actually creating pools of mortgages designed to in fact self-destruct to reap in profits that are entirely based upon **INSIDER** information as the financial engineer. By deliberately creating a product that was self-destructive, the entire **Housing Bubble** begins to take on the image of a devious plot. Again, this is not a plot to take over government for power, just a plot to make as much money as they possibly can - the **Perfect Trade.**

There is a serious problem. Either we take **Goldman Sachs** at their word that they are just smarter than everyone else and have the best people working for them, or they are just dumb as shit. If they are truly the smartest of all firms in the world, then they should have known what they were creating and that the entire **Housing Bubble**, the fall of **Bear Sterns, Lehman Brothers**, and the worst of economic declines since the Great Depression were all within their intended objective. If they claim ignorance and that they did not in any way deliberately create the **Perfect Storm** in economic history, then they cannot be the best, smartest of all firms, nor do they have the best people. You can't have it both ways.

I would have bought the ignorance view if it had not been for some very strange events surrounding my own case. It was very strange that the court appointed a receiver & put him in charge to run a foreign corporation that is not possible legally (<u>the only court having jurisdiction over the internal management of a corporation is the one where the corporation was chartered, which was overseas</u>). It was in fact **ALAN COHEN**, who is the head of **Goldman Sachs' <u>GLOBAL COMPLIANCE</u>**, who had actually stood up for the government and then pled the corporations effectively guilty in 30 days to the SEC complaint, he blocked the hiring of any counsel, and entered a secret agreement with the government allowing him to withhold all evidence from me. Based upon an anonymous tip that **Alan Cohen** turned over **<u>ALL</u>** research to **Goldman Sach**, things start to become more understandable.

First of all, for at least 10 years, I was gathering evidence on the **"Club"** keeping track of what they were up to ever since they began using commodity tactics in financials. The Asian Crisis exposed the group behavior to foreign governments. I thus gathered all the evidence for years even documenting events in a ledger book in my desk and taped telephone calls to back-up sources. I did not publish the names, only saying **"They're Back!"** When my case began, there were anonymous phone threats and a bullet put in my mailbox (see below) that was turned over to the lawyers. **Cohen** seized the office and employees who were there stated they just took things and gave no receipts.

The head of **Goldman Sachs'** Global Compliance no less acting as the now manager of Princeton Economics International, Ltd, made an effort to seize all the research both on the markets (our model) as well as on the investigation. The Judiciary is so corrupt they let **Goldman Sachs** run the company that was investigating them by proxy. How can this not have been a conflict of interest? **Alan Cohen** threatened to throw all lawyers in jail unless they turned over all tapes I gave them for safekeeping. On February 7, 2000, I stood up in open court and tried to protect the lawyers and the investigative material. I failed. Judge Richard Owen would not allow it and seized everything. This, I believe is a critical point to understand the events that followed, for I believe that the object was to also seize our research, use it for the **"Club"** and prevent publication.

ARMSTRONG: Your Honor, may I address the court for a second? I gave the tapes to Mr. Unger because I received death threats and I had also received a bullet that someone left in my mailbox which I also turned over to Mr. Unger. I gave him those tapes that had nothing to do with this case for safe keeping.

(99-Civ-9667; 2/7/00; p22, Lines 3-8)

ARMSTRONG: The other tapes, your Honor, were made as a journalist, so to speak. I did a number of pieces and monitored a significant effort by a number of investment banks and fund managers who attempt to organize together in manipulating markets. I wrote extensively about several cases on that, and I made tapes to back up myself in support of that.

These are tapes that are, again, I do not see where they are particularly relevant to this particular case, your Honor. They have significant implications for a number of well known players and investment banks on the street that probably do reveal criminal behavior, but that does not necessarily involves this case. They were things that I wrote about. It is well documented that I was exposing the silver manipulations that were -- went by a number of firms including Republic Bank. The CFTC even contacted me personally for information in that investigation and as well as that led to the Bank of England getting involved into the investigation.

(99-Civ-9667; 2/7/00; p4-5)

The **Housing Bubble** appears to be much more deliberately orchestrated, although I seriously doubt that there was for one second any contemplation about what they were truly doing. Because the **"club"** is short-sighted and does not take long-term investment views of anything, it's all about instant gratification. The only long-term model on real estate was that of Princeton. But I am sure they had only looked at the spike into 2007, not the 26 year decline afterwards.

The origins appear to begin actually in the Clinton Administration. There developed a political view that they wanted to increase home ownership and that would be a socialist view of prosperity. What they did not at all understand, was that real estate had already been a highly leveraged market post-World War II and that the capital concentration within the United States that led to its acquisition of 76% of the official world gold reserves by 1944 for the Bretton Woods global summit on creating a new monetary system, was the real source of that leverage. In other words, the sheer amount of capital concentrated within the United States allowed for 30 year mortgage market to develop. Had there been a short supply of money within the United States, the mortgage market would be like that of Canada or Europe - far more short-term.

The lack of sophisticated models within government has allowed the "Club" to mislead them at will. When Congressman Snow asked the former head of the SEC Mr. Cox shouldn't the government have models, he quickly said no. This allowed the leverage to be 50:1.

Clinton's team was composed of **Robert Rubin, Alan Greenspan, Larry Summers,** and the head of the SEC, **Arthur Levitt.** All were on board and **Rubin** was leading the team. You must keep in mind that it was the SEC and the CFTC that controlled the legal leverage in the **Investment Banks,** not the Federal Reserve. In 2000, they passed the **Commodity Futures Modernization Act.** This opened the door for the banks to trade default swaps freely.

The long-term benefits of the Reagan tax cuts was finally starting to kick-in. The nation moved into the first budget surplus since 1969. Reagan's policies had been in fact offset by Volker's absurd raising of interest rates to 17% at the Fed. That had the effect of raising the deficits for a decade by the

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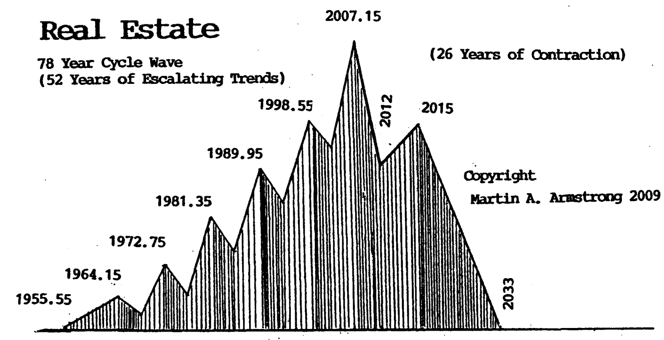

the sheer fact that raising interest rates had the desired effect to stop consumer spending, but **NOT** government. How do you raise the rates of interest without effecting the biggest borrower in the market? Simple answer - you can't! Volker's interest rate policy set in motion a trend of wildly expanding debt. Between 1986 and 2006, the rise in the national debt is attributed to over 90% interest.

In 1994, there was the "Republican Revolution" where they won both houses for the first time in more than 40 years. The fighting began over how to spend the surplus. Little went to paying down the National Debt. The policies of **Rubin** met with approval of the Republicans and the **"club"** was given a green light to go nuts in the housing market.

The strangest events began to unfold illustrating that **Goldman Sachs** had begun a new strategy - conquer from within. All of a sudden, it did not matter what the political party was be it Republican or Democrat, somehow staff from **Goldman Sachs** was infiltrating government in all departments. The basics of this strategy was said to have been the brain child of **Robert Rubin** as was the housing. In 2000, AIG went to the **New York State Insurance Department** to inquire if the default swaps should be exempt from regulation. **Neil Levin** ran that department for NY State, and he was a former VP of **Goldman Sachs.** He gave the all critical blessing to AIG exempting the swaps from regulation. What does a ex-**Goldman Sachs** employee have to offer to run insurance regulation? That was not his expertise! The whole housing bubble was set to inflate.

Gretchen Morgenson of the New York Times traced the **Credit Default Swaps** to **J.P. Morgan** who took it to **AIG**. The staff at **J.P.Morgan** was not comfortable with the product because there was no historical model that would in fact reveal what is known as a **correlation failure**. In other words, if the mortgages go into default, those losses then ripple into every other sector of the debt markets.

This is HOW a **CONTAGION** is truly born as took place with **Long-Term Capital Management**. Everyone had big bucks in Russia. They were counting on the **International Monetary Fund ("IMF")** to be there to guarantee those bonds by supporting funding. However, there was NO developed market to buy or sell into. The Russian currency was just getting started as a futures contract.

Once the Russian debt went belly-up, the absence of a market forced the raising of any cash into other holdings. Thus, we saw the entire spectrum go crazy from stocks, bonds, all the way into currencies like the Japanese yen. Why? They were also funding these debt purchases in yen to maximize their profit. They were not satisfied making 10-20 times their money using dollar loans, so they went off into yen to reduce borrowing costs down to 0.1% from 7%.

The **CONTAGION** is thus created by the inability to get out of one market, and the need to raise money forces liquidation of any other position held. Thus the mortgage debt crisis that these idots created was identical to the SAME mistake they made with Russia. Now they expected the US government to back the mortgages eliminating their risk just as they expected the IMF to back the Russian debt. It was these dream-like presumptions that will illustrate that **THEY DO NOT HAVE THE BEST & THE BRIGHTEST** for they would never get into these fatal attractions that blow up the whole world.

The mortgage crisis turned into a local **CONTAGION** insofar as the debt in that area was part of a portfolio of fixed income and that would cause fund raising to spread to all other areas of debt. There was no such organized market for the mortgages. The **CDS** insurance now failed, and this led to the entire system melting down. This is the same stupid mistake **ALWAYS** illustrating they are clueless.

Goldman Sachs by 2006 had underwritten at least $76 billion worth of this stuff. They began trading against their own clients in the mortgage market. **Matt Taibbi** reported in the Rolling Stone that **David Viniar** who was the Chief Financial Officer at **Goldman Sachs** "boasted" in 2007:

> **"As a result, we took significant markdowns on our long inventory positions. ... However, our risk bias in that market was to be short and that net short position was profitable."**

While **Goldman Sachs** tried to portray the image of again being the brightest bulb on Wall Street, the facts do not add up. What they were doing was outright securities fraud that was criminally prosecuted against **Milken** and was grounds to extinguish **Drexel Burnham**. But then again, they were a Philadelphia firm competing with New York. Clearly, if there was really **Equal Justice For All**, then the SEC & US Attorney should have criminally prosecuted **Goldman Sachs**. But as every journalist I have ever spoken to has stated bluntly, the US government will never prosecute one of the big NY houses, there will be no investigation and no prosecution that will **EVER** show the truth. What is the purpose of having so many people in low paying political posts? Surely, they will never work for government for the pay or benefits. So what is it?

The Wall Street Journal published in its Saturday/Sunday Money & Investing on Dec. 12-13, 2009, **"Goldman Fueled AIG Gambles."** The Journal reported that **Goldman** "played a bigger role than has been publicly disclosed in fueling the mortgage bets" at **AIG**. **What** really took place as always, the bailout of **AIG** was in effect making good on their side of **Credit Default Swaps**. **Goldman** and other banks would turn to **AIG** to insure the debt they just got involved with. So, it was not **AIG** that was truly being bailed out, but the counter-parties. In other words, you went to a casino and bet everything of red at the roulette wheel. You can't pay when you lose, so you turn to the government to pay your debt. Who benefits? The casino, not you!

Goldman Sachs was one of 16 banks that the US government paid off who AIG owed. The Journal reported that "Goldman was a key player in many of them, even the ones involving other banks." Id./B1. They went on to report that **Goldman Sachs** "bought protection from AIG on about $33 billion of the $80 billion of U.S. mortgage assets that AIG insured.... That is roughly twice as much as **Societe Generale** and Merrill Lynch, the banks with the biggest exposure to AIG after Goldman..." Ibid.

It has come to light that **Goldman Sachs** was actually insuring the housing market and then turning to AIG on a wholesale basis thus tacking on a premium for itself. This appears to have been done on at least $14 billion in deals.

It is surfacing that **Goldman Sachs** was making offers to help AIG reduce its risk, but its pricing was very high. The Journal had also reported that in February 2008 at a meeting in AIG, they discussed the options being offered to AIG, but that Goldman was "unwilling or unable to provide any sources for their determination of market prices." Id./B4.

Goldman Sachs was clearly exposed to AIG for there was no other source to lay-off risk in the CDS market. They created their own little world in which they believed that the markets would not collapse and that mortgages would be secured by the US government. They once more talked themselves into believing they could make a fortune with no risk. The perfect guaranteed trade. They assumed, and pitched, that implicitly Fannie and Freddie were behind the mortgage market not unlike the IMF was suppose to be behind Russia.

The claims of **Goldman Sachs** would not have suffered a serious loss had AIG gone just belly-up, lack any credibility whatsoever. The **TARP** audit of the AIG Collapse shows that the claims of **Goldman Sachs** were unfounded. It is very clear that **Goldman** was the largest beneficiaries of the AIG bailout. The Federal Reserve was no doubt prodded by **Henry Paulson** former CEO of **Goldman Sachs** and successor to **Robert Rubin** as Secretary of the Treasury. In an amazing deal, the Fed agreed to pay $62 bil of insurance contracts owed to 16 banks they held **IN FULL** with no discount. That included **Goldman Sachs**.

The report pointed out that **Goldman** had sold insurance repackaging it to other banks. That meant if AIG failed, **Goldman** still had to pay other banks while being unable to now collect from AIG. Again, the report rightly casts doubt on **Goldman's** claims it had some collateral. That would not have been liquid in such a crisis.

Goldman Sachs was clearly dead in the water. Without the bailout, they would have been history. Their extensive network of alumni in strategic places around the globe paid-off. They were able to get all the funds they needed when they were not even a bank lending to the public, and effectively had all their bad trading decisions underwritten by the US government.

They amazingly made the same mistake as they did in Russia. They put all the apples in one basket and assumed the government is there. They are dumber than shit when it comes down to getting into these wild and crazy big schemes, but perhaps where they are truly the **BRIGHEST BULB** in the box, is how they have politically insulated their entire operation with political appointments.

The strategy to gain political influence and win powerful friends was deliberate. I believe **Goldman Sachs** became a fairly large campaign contributor. It is surprising how little money it takes to buy influence in Washington. I spent about a quarter-million on an advertising strategy concerning tax reform buying only the back page of Bill Krystal's magazine. I can't tell you how many people in Washington started to pound on my door. It doesn't take tens of millions as many people may think. Influence is very cheap to buy at the end of the day.

Goldman Sachs began to take that idea up after 1986. This led to **Robert Rubin** in fact becoming Secretary of the Treasury. But there is still a serious distinction in the three categories Banking-stocks-commodities. Both **Robert Rubin** and **Henry Paulson** were true administrators, not traders. They were good at building **Goldman Sachs** and at politics, which is why they became Secretary of the Treasury. Their political clout and roles saved **Goldman Sachs** when it was just purely an **Investment Bank** and had it fallen, there would have been **NO** economic depression. They have become a proprietary trader. They are not a source of serious lending within the economy creating jobs. They are not a commerical bank.