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European and US Governments Encourage Bank Manipulation and Fraud to Cover Up Insolvency

By Washington's Blog
Global Research, July 02, 2012
Washington's Blog 2 July 2012

Region: Europe, USA
Theme: Global Economy

Governments On Both Sides of the Atlantic Try to Put Lipstick on a Pig

We noted yesterday that the big banks have criminally conspired since 2005 to rig $800 trillion dollar Libor-based market.

Barclay's chairman says that the Bank of England gave *explicit approval* for the manipulation.

A former Barclay's executive – who was close to the Libor-setting manipulation – told the Daily Mail that Barclay's manipulated Libor to make the bank look healthier than it really was, and , and the cover-up led to a slow policy response which prolonged the financial crisis.

This appears to be very similar to what happened in America. As I noted last year:

> The Tarp Inspector General has said that [then-Secretary of the Treasury Hank] Paulson misrepresented the big banks' health in the run-up to passage of TARP. This is no small matter, as the American public would have not been very excited about giving money to insolvent institutions.

(Paulson also threatened martial law if Tarp was not passed.)

As we reported last year:

> [All of the big banks were] insolvent in the 1980s, but the government made a concerted decision to cover that up.
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> Financial writers such as Mish and Reggie Middleton pointed out in late 2007 and early 2008 that B of A was again insolvent.
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> Nouriel Roubini noted in January 2009 that the entire U.S. banking system is "bankrupt" and "effectively insolvent":
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> > "I've found that credit losses could peak at a level of $3.6 trillion for U.S. institutions, half of them by banks and broker dealers," Roubini said at a conference in Dubai today. "If that's true, it means the U.S. banking system is effectively insolvent because it starts with a capital of $1.4 trillion."
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> "The problems of Citi, Bank of America and others suggest the system is bankrupt," Roubini said. "In Europe, it's the same thing."

Indeed, the American government's zero interest rate policy is very much like the British Libor manipulation scandal … it's nothing but an attempt to breathe life back into the insolvent banks, at the expense of the taxpayer. And see this.

And the "financial reform" laws passed in the wake of the crisis have, in some ways, actually *weakened* regulations of the financial markets, allowed the big banks to get a lot bigger, and have intentionally allowed fraudulent accounting (and see this).

Likewise, the "stress tests" in both Europe and America have been a total scam … a naked attempt to put lipstick on a pig to cover up the fact that the big banks are insolvent.

By choosing the big banks over the little guy – and failing to rein in the fraud which caused the crisis in the first place – the governments on both sides of that Atlantic are dooming both the financial system and the people to failure.

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