

Global Financial Conflagration: The World of Fiat Money is Buckling under the Pressure of Unpayable Debts

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America and the world face a financial conflagration of immense proportions. The world of fiat money and massive credit is buckling under the pressure of unpayable debt. Each day the safe haven of gold and silver related assets become more attractive. We ask where else do you go for safety? A conflagration is a fire out of control and that is exactly the conditions the world faces today. The inflationary depression has smoldered for 14 months and it will soon accelerate.

For the last 15 years the world has lived far beyond its means especially the US, UK and Europe and as we all know that cannot continue indefinitely. The federal government continues to hire when it should be firing. Having lost 80% of our industrial base we struggle in a service economy that cannot service 300 million plus people, never mind supply exports to offset the cost of imports that we no longer manufacture. We now supply indefinite unemployment benefits, which in reality cannot go on forever. The fiscal debt spirals ever higher and the Fed creates money and credit with no end in sight, which devalues the dollar. Taxation on individuals and businesses continues relentlessly higher. This is the way of corporatist fascism. This is now the way of America.

Officially the destruction of America began on August 15, 1971 when the US abandoned the gold standard. The Council on Foreign Relations said years ago, that 2012 would be the year for the implementation of world government.

In Europe we see the manifestations of years of reckless spending in Greece., a nation that will have to be bailed out by the IMF and other European countries, especially by Germany that holds much of the worthless bonds issued by Greece. Greek bonds are now yielding 17%. Such a premium will not save the economy. The debt service is unpayable. Greece should leave the euro zone; reissue the drachma and default, now. Their position is untenable. We said this on Athens International, French International, BBC worldwide and Deutsch Welle radio a few weeks ago. The Greeks certainly are not blameless, but 80% of the blame lies with the bankers. The outcome is inevitable, whether it's now or 1-1/2 years from now. These problems affect all euro zone nations and all will suffer accordingly. For the time being most of the damage to the euro is over, but in time the euro will break up, probably in the next two years. As a result official EU unemployment will hit 14%.

We do not believe the powers that be want Greece to bite the dust just yet, as we pointed out previously. We believe they envision a simultaneous collapse of many nations and multilateral devaluation and debt default. This is their style. This way they believe they can

control things and cover up one of the biggest transfers of wealth and power in history. The elitists expect to then usher in world government, as they create another world war.

Those who recognize what the elitist plays are can safeguard their assets and perhaps become very wealthy in that process. Those who ignore the signs and warnings are doomed to lose most everything. Political solutions won't work now and they won't work later.

The life of the euro zone and the EU, which consistently have been wrong, at least for now, are trying to make us believe all is well. All is not well. We are told over and over again the crisis won't spread and it will spread and is spreading. Borrowing costs are already rising in Portugal, Spain, and Germany and throughout Europe.

The euro zone is in jeopardy as Greek contagion affects Portugal and Spain. Sovereign debt is the new subprime paper. We could perhaps see a domino effect as bond yields rise in the weaker countries and eventually spread to the stronger European countries, and to the UK and US. The problem will eventually affect the entire world if it rolls out that way. Such a situation could cause a crisis of confidence, which would most certainly drive gold and silver prices higher. Bond markets would already have been affected and world stock markets would be falling. We are perhaps seeing that already with a topping in the US and European equities suffering their largest losses this year. In Europe, Greek bond losses are onerous. A bailout of Greece will probably come and their debt rescheduled. If the bailout doesn't come watch out. The fallout of a Greek default, the exit from the euro, and the reintroduction of the drachma could force the other 18 nations in trouble to the edge if not into insolvency. These ideas are what we expressed this week in an interview with Greece's largest newspaper. In addition we could see the dumping of PIIGS bonds and stocks. This could cause major losses and freeze markets. It could also lead to the demise of the euro zone and deeply damage the EU. Another unexpected outcome could be the withdrawal of Britain from the EU followed by the imposition of tariffs on goods and services by the UK, which would be followed by the US.

Another aspect to the Greek problem is that rating cuts are going to force Greek banks to post more collateral, which would force them into a liquidity trap and that could spread the contagion through the global financial system. If more collateral is not forthcoming the banks' bonds would be downgraded. This also could cause Greek banks to sell assets, putting more pressure on an already weak system. Is it no wonder that gold and silver prices are rising?

In spite of all this the euro zone has the fiscal capacity to backstop banks within the region and to support the PIIGS. The question is will they? Germany seems to be in no hurry to do so. Greece needs loans or to float bonds in the amount of \$350 billion over the next five years, which is a tall order. The present approach is to solve this year's problems of some \$80 billion, but bondholders are looking out five years. They are saying to themselves what is going to happen next year and up to five years from now. One good thing is if the Greeks stay in the euro zone they cannot monetize debt away and ruin bond values. Seventy percent of Greeks oppose dealing with the IMF, or accepting loans from the EU. We ask then what do they propose? This is why many investors are throwing their hands in the air and opting to buy gold throughout Europe. No matter which way Greece takes gold is really the only good hedge against a devaluing euro. Gold is not only a hedge against the euro, but also against commodity inflation. A recovery, if it did take place in Europe, would cause higher inflation as well. Causing conflict on the inflation issue is the ECB's opinion that there is no inflation, when even officially there is. Germany had best not press Greece too hard,

because if Greece leaves the euro it would rock global markets. We believe a deal will be done and that will temporarily solve the problem, perhaps for 1 or 1-1/2 years. That is when all the financial derelicts will be taken down together.

We in switching gears must look at the sovereign debt problems of many nations, the US as well. We see a fierce loss of integrity in US markets, due to the play unfolding in the US House and Senate via inquiry and actions by the SEC against Goldman Sachs and others. The US is not Greece, but it has many similar problems. These terrible events unfolding have to eventually reflect lower dollar values as well as a lower market, higher interest rates and higher gold and silver prices. It is apparent and transparent that Goldman has been charged civilly by the SEC in order to protect the firm and its employees from criminal charges, to divert attention away from the passage of a new financial regulatory bill that would make the Fed a despotic power and to make the administration and the Democrats look good going into the November election. Then there is the ongoing mortgage fallout and all the Fed and Treasury giveaways. Making matters worse is the refusal to answer important questions by the Fed for spurious reasons. Then worse yet the SEC told Goldman they were going to be charged two weeks before the announcement was made.

Sixty percent of the toxic waste was sold in Europe, mostly to Germans and they are not happy about that. We cannot understand why the Germans did not sue 2-1/2 years ago, and still haven't.

Was the SEC civil fraud suit designed to fail? That may be so, but many other suits will follow. This could be a complete set up in the sense that the planned outcome has already been predetermined. A big fine, restitution, and GS is off the hook.

We are hearing rumors that officers of GS in different parts of the world may be arrested as a criminal organization. That in spite of the possibility that we suspect that plea-bargaining will probably take place quickly.

Goldman Sachs, JPMorgan Chase, Citigroup, Deutsche Bank and HSBC have been an integral part of the manipulation of markets, by the "Working Group on Financial Markets.

Goldman's actions were so bad exposure had to come. Why it didn't come earlier is a great surprise to us. Hopefully other bankers and brokerage houses will be exposed and punished as well and be put out of business along with the rating companies. Goldman is just the tip of the iceberg.

The problems in Europe, the UK and US are going to be with us for a long time to come. In time the government's suppression of the gold price will become common knowledge. The LBMA, Comex, GLD and SLV will eventually collapse under the leverage they have used and prices will be allowed to reach free market levels. This is the last inexpensive opportunity to protect your assets by owning gold and silver related assets. Do so now to stay out of harms way.

The commercial paper market grew for a second straight week up \$32.9 billion to \$1.109 trillion.

In the 7-year Treasury auction the bid to cover was 2.82 versus 2.76. Indirect participation was 59.5% up from 55.2%.

Federal prosecutors have opened an investigation into trading at [Goldman Sachs](#), raising the

possibility of criminal charges against the Wall Street giant, according to people familiar with the matter.

While the investigation is still in a preliminary stage, the move could escalate the legal troubles swirling around Goldman.

The Securities and Exchange Commission, which two weeks ago filed a civil fraud suit against Goldman, referred its investigation to prosecutors for the Southern District of New York, which has now opened its own inquiry.

Goldman has vigorously denied the accusations by the SEC, which accused Goldman of defrauding investors involved in a complex mortgage deal known as Abacus 2007-AC1.

Federal prosecutors would face a higher bar in bringing a criminal case against Goldman, whose role in the mortgage market came under sharp scrutiny this week during a marathon hearing in the Senate.

The stakes are high for Goldman, but they are also high for the US attorney's office.

The first quarter GDP expanded 3.2%, or so our government says. This is the 3rd straight quarter of growth. Business inventories rose \$31.1 billion, which contributed 1.59% of GDP. That means the economy really only expanded 1.6% following a 1.7% pace in the 4th quarter. Business investment rose 4.1% versus 5.3%. The strong dollar killed export growth. It rose 5.8% from 22.8%, while imports rose 9.8%.

Employment costs rose 0.6% in the 1st quarter, more than the 0.5% in the 4th quarter. Wages and salaries rose 0.4%, which is 70% of costs. Benefits increased 1.1%. Year-on-year compensation costs are only up 1.7% as real inflation runs at 8%.

The ISM Chicago Supply Management barometer jumped to 63.8 in April, the highest since 4/05, and from 58.8 in March.

The April final University of Michigan Confidence Index rose to 72.2 versus the early April reading of 69.5.

Members of Congress face the most anti-[incumbent](#) electorate since 1994, with less than a third of all voters saying they are inclined to support their representatives in November, according to a new Washington Post-ABC News poll.

Dissatisfaction is widespread, crossing party lines, ideologies and virtually all groups of voters. Less than a quarter of independents and just three in 10 Republicans say they're leaning toward backing an incumbent this fall. Even among Democrats, who control the House, the Senate and the White House, opinion is evenly divided on the question.

A new national poll shows support for repealing President Obama's health care reform law has not abated in the month since its passage, and actually ticked up.

"Support for repeal of the recently-passed national health care plan remains strong as most voters believe the law will increase the cost of care, hurt quality and push the federal

budget deficit even higher,” said the new release from the polling firm Rasmussen Reports.

Fifty-eight (58) percent of likely voters said they would support an effort to repeal the legislation, as Republicans have given consideration to campaigning on such a promise. Just 38 percent communicated opposition to such an effort.

The Federal Reserve sounded a more confident note Wednesday that the economy is strengthening but pledged to hold rates at record lows to make sure it gains traction.

Wrapping up a two-day meeting, the Fed in a 9-1 decision retained its pledge to hold rates at historic lows for an “extended period.” Doing so will help energize the recovery.

The Fed offered a more upbeat view of the economy even as it noted that risks remain. It said the job market is “beginning to improve,” an upgrade from its last meeting in mid-March. It observed then that the unemployment situation was merely “stabilizing.”

President Obama plans to nominate three new Federal Reserve governors on Thursday, a source familiar with the plans said.

The prospective nominees are: Janet Yellen, currently president of the Federal Reserve Bank of San Francisco, Sarah Bloom Raskin, currently Maryland’s top bank regulator, and Peter Diamond, an economist at MIT. Yellen will be nominated to be vice-chairman of the central bank. The White House had previously acknowledged that the three were under consideration to join the seven-member Fed board of governors.

An index of mortgage applications in the U.S. fell last week as rising mortgage rates hurt refinancing, while a looming deadline for a homebuyers’ tax credit boosted purchases for a fifth time in six weeks.

The Mortgage Bankers Association’s index decreased 2.9 percent in the week ended April 23. The Washington-based group’s refinance measure fell 8.8 percent, while the gauge of purchases climbed 7.4 percent to the highest level since October, the month before the tax credit was initially due to lapse.

“We’re going to see some mortgage demand, with buyers taking advantage of the tax credit,” Robert Dye, a senior economist at PNC Financial Services Group Inc. in Pittsburgh, said before the report. “We’ll see some weak demand on the back side” after the tax credit expires.

The government incentive is bringing buyers into the market ahead of the deadline for signing contracts at the end of the month. Any further increase in housing demand after the credit ends may depend on gains in employment as a growing economy pushes up borrowing costs.

The average rate on a 30-year fixed loan rose to 5.08 percent from 5.04 percent the prior week, the group said. Rates reached a record low of 4.61 percent in March 2009 after the Federal Reserve began a mortgage-purchasing plan aimed at lowering lending rates. The program ended last month.

At the current 30-year rate, monthly payments for each \$100,000 of a loan would be \$541.72, up from \$514.44 a year ago when the rate was 4.63 percent.

The U.S. Securities and Exchange Commission is taking a closer look at whether hedge fund managers abused a practice known as “side pockets” to prevent clients from withdrawing billions of dollars during the 2008 financial crisis, the Wall Street Journal reported on Tuesday.

Side-pockets are just one of several top priorities set by a newly created SEC enforcement unit focused on private equity, hedge fund and other asset managers, the paper said, citing people familiar with the matter.

The unit also is looking into whether investment funds assign fair values to assets and accurately disclose information about their investment strategies, assets and performance, the paper said.

The group had its first full staff meeting this week, the paper said, and has 60 attorneys across nine offices, the Journal said.

Side pockets were widely used in 2008, when hedge funds faced a flood of withdrawal requests amid freefalling markets. Fund managers, not wishing to sell their assets at fire-sale prices, barred clients from redeeming investments.

Many funds stashed illiquid securities into side pockets until markets improved, a move that reduced losses.

Yet many investors complained that fund managers abused the practice, did not disclose reasons for creating side pockets or disclose which assets were set aside.

California wants to know why underwriters take its money to sell the state’s bonds, and then talk trash behind its back.

That’s what California Treasurer Bill Lockyer asked in March of six banks that have made \$215 million from selling the state’s general obligation bonds since 2007.

“We have information that indicates your firm, which sells California GO bonds, may participate in the municipal credit default swaps market,” the letter said. Lockyer wanted to know why, and to what extent. The treasurer posted the banks’ responses on his Web site last week.

And the answer, I conclude, is: Because you can’t short munis. That’s too bad, because the municipal market would benefit from an army of short-sellers analyzing state and local credits.

The nearest thing to short-selling municipals is the credit-default swaps market. As the Lockyer inquiry shows, public officials have little to fear. The market in municipal credit-default swaps is just too small.

Credit-default swaps don’t drive up borrowing costs, anyway. Bad financial management does that. I do tip my hat to the treasurer for getting some straight answers.

Banks Go on Subprime Offensive (March 13, 2007) [Subprime is already in the toilet] Wall Street Journal (03/13/07) P. A3; Mollenkamp, Carrick; Hagerty, James R.; Smith, Randall Big banks and investors that purchased subprime mortgages originated by small lenders over the last couple years are responding to an increase in defaults on the products by ordering

the lenders to buy them backs. Many subprime originators are now facing bankruptcy because they lack the money necessary to comply, and some experts argue that the subprime mortgage market is weakening at a faster pace due to these repurchase demands. New Century Financial Corp., for instance, is among the lenders on the brink of bankruptcy, fielding repurchase orders from Morgan Stanley, Citigroup Inc., Goldman Sachs Group Inc., Credit Suisse Group Inc., IXIS Real Estate Capital Inc. and Bank of America Corp. The company reportedly owes a total of \$8.4 billion to these creditors, and Piper Jaffray analyst Robert Napoli says that repurchasing the loans at a 20-percent loss would eliminate New Century shareholders' equity.

December 14, 2007 WSJ: How Goldman Won Big On Mortgage Meltdown

A Team's Bearish Bets Netted Firm Billions; A Nudge From the CFO Last December [2006], David Viniar, Goldman's chief financial officer, gave the group a big push, suggesting that it adopt a more-bearish posture on the subprime market, according to people familiar with his instructions. During a discussion with Mr. Sparks and others, Mr. Viniar noted that Goldman had big exposure to the subprime mortgage market because of CDOs and other complex securities it was holding, these people say. Emerging signs of weakness in the market, meant that Goldman needed to hedge its bets, the group concluded, these people say.

Mr. Swenson and his traders began shorting certain slices of the ABX, or betting against them, by buying credit-default swaps. At that time, new subprime mortgages still were being pumped out at a rapid clip, and gloom hadn't yet descended on the market. As a result, the swaps were relatively cheap.

Still, trading volume was thin, so it took months for the group to accumulate enough swaps to fully hedge Goldman's exposure to the subprime market. By February, Goldman had built up a sizable short position, and was poised to profit from the subprime meltdown... [GS short before Abacus deal]

In late April [2007], Mr. Sparks, the mortgage-department chief, met with Mr. Cohn, the trading head, Mr. Viniar, the chief financial officer, and a couple of other senior executives. "We've got a big problem," Mr. Sparks told them as they paged through a handout listing the declining values of Goldman's CDO portfolio, according to people with knowledge of the meeting. Prices were heading straight down, he told them. He suggested that Goldman cancel a number of pending CDO deals, these people say, and sell whatever it could of the firm's roughly \$10 billion in CDOs and related securities probably at a loss. [The Abacus deal closed on April 26, 2007. CDOs were in collapse. Viniar was negative on subprime in December 2006 according to the WSJ.]

Success shines unwelcome spotlight on to Goldman Sachs December 21, 2007 Two Goldman Sachs traders, Michael Swenson and Josh Birnbaum, are hot-shot heroes who made billions out of America's sub-prime mortgage crisis. Or are they?

In an unusually breathless terms, the financial press this week named "Swenny" and Birnbaum as the key figures responsible for Goldman Sachs' remarkable leap in profits in a year when just about every rival including Morgan Stanley, Citigroup, Merrill Lynch and Bear Stearns - took a cold, deep bath. A flurry of stories said the pair, who are part of Goldman's structured products group in New York, made a profit of \$4bn by "betting" on a collapse in the sub-prime market. They persuaded reluctant colleagues to see their point of view and talked around sceptical risk management executives.

January 25, 2008 Late in 2006, Goldman still had huge exposure to the subprime mortgage market, due to its holdings of CDOs and other securities. David Viniar, Goldman's CFO, suggested to the group that it adopt an even more bearish look on the subprime market. Swenson and Birnbaum could not agree more and the pair quickly got to work.

Swenson and his group of traders began shorting slices of the ABX. The depression of subprime lending had yet to hit the market and these credit default swaps they were buying were still very cheap.

Goldman had a lot of work to do if it wanted to sufficiently hedge its position in the subprime market. Goldman's exposure was high, and it took a lot of time and even more money to build enough swaps to fully hedge the bets.

Swenson and Birnbaum had bets focused on indexes in the ABX that reflected the riskiest portion of the index. The subsequent weakening of the index was twofold. As predicted in the 2006 study, many subprime loans had begun the foreclosure process. Also working at the same time was an increase in hedging activity involving the ABX index.

The \$44 Billion 2 Year auction closed at 1.024% on a Bid To Cover of 3.03. But not thanks to foreign bidders: Indirect bidders were the lowest in a year, coming in at a mere 31.04%, with a lower number record only in April 2009 when it was 28.71%. The slack was picked up by the so called Fed shadow ops/China London trading desk, with the Direct Bidders taking down a whopping 21.41%: the highest by far for a 2010 auction, and the second lowest in history with just the 26.14% in October higher.

An illegal bank is the second-largest holder of U.S. treasury securities by faux capitalist.

From the U.S. Treasury Department's latest numbers of major foreign holders of treasury securities, we see that China owned \$877.5 billion and Japan owned \$768.50 billion in February 2010.

From their historical data, we see that China overtook Japan as the largest foreign holder of treasury securities as recently as September 2008, the month that the world's economic system was thrown into turmoil by the collapse of Lehman Brothers and the stock and real estate market.

However, Japan isn't the second-largest holder of U.S. treasury securities — the privately owned Federal Reserve Bank of New York is. That is, one of the 12 member banks of the illegal privately owned Federal Reserve System of the United States.

From their official numbers on April 21, 2010, they owned \$771.57 billion in U.S. treasury securities \$3 billion more than Japan did in February.

Their parent organization, the Federal Reserve, [lies](#) about interest-free United States Notes, the currency that Congress issued to fund the Civil War, when the bankers were demanding 20-30% interest.

While United States Notes didn't benefit the bankers, they clearly benefitted the American people, by not having to pay any interest during their entire lifetime, including to this very day. On the other hand, the Federal Reserve Bank of New York is receiving interest from their \$771 billion in treasury securities, and as a member bank of the Federal Reserve, it receives a 6% annual dividend on its stock in the Federal Reserve System, with the

proceeds going to private interests.

Even calculating with the current all-time low Federal Funds Rate of 0.25% on all the bank's \$771 billion in treasury securities, that's nearly \$2 billion a year in interest that could be saved by this and future generations, which will be compounded every year, and will reach \$15-50 billion when annual interest rates reach a more historically recent level of between 2-6%.

Fed Chairman Ben Bernanke admitted the central bank created \$1.3 trillion out of thin air to buy mortgage backed securities. This shocking admission came from the Joint Economic Committee hearing on Capital Hill last week. I was dumbfounded when I saw Bernanke shake his head in the affirmative as Representative Ron Paul said, "Well, where did you get the money? You created this money. So you did monetize debt, and that went into the banking system." I was amazed he admitted this. I looked up the original hearing on C-Span to make sure the clip was not edited. It was not.

What is even more shocking is I could not find a single mainstream news agency that covered this revelation. Congress just finished voting on the bitterly contested Obama health care bill that is supposed to cost nearly a trillion dollars over ten years. (Some contend it will be more than twice that amount.) The mainstream media doesn't even bat an eye over the Fed creating \$1.3 trillion in a little more than a year to buy worthless debt no one else will touch. I do not get it. I guess we could have asked the Fed to print up a trillion dollars to pay for health care and avoided that drawn out battle in Congress.

Then, Rep. Paul brings up printing another \$105 billion to bailout Greece. Bernanke answers by saying, "I think one of the agreements that the G20 leaders came up with was sort of a mutual commitment to put more money into the IMF as a way of addressing the financial crisis around the world." Notice how Bernanke used the term "mutual commitment." I think what that really means is an agreement between all the G-20 nations of a "mutual debasement of their currencies." I think this is why gold has been rising in price around the globe. I have been saying for months that we are going to have some very big inflation. (Real inflation is already at 9.5% according to shadowstats.com I wrote about this last November in a post called "The Fix Is In." <<http://usawatchdog.com/the-fix-is-in/>>

I think Bernanke just opened the Fed playbook and revealed money will be printed to fix all financial problems. I don't think he's even trying to hide it anymore. Rep. Paul also brought up the big debt trouble coming soon with many, many bankrupt cities and states such as Los Angeles and California. I think they will all be bailed out one way or another by the printing press.

New York Fed President William Dudley seems to be on the same page as his boss. Dudley recently said, "The fact that our foreign indebtedness is for the most part denominated in our own currency is a huge advantage in the event the dollar were to come under significant downward pressure." (Zero Hedge has a complete text of Dudley's speech, click here <<http://www.zerohedge.com/article/bill-dudley-speaks-hints-endgame-dollar-devaluation>>) Is Dudley making a not so subtle hint about devaluing the U.S. dollar? Once again, I say yes.

Anyone with a savings account or money market denominated in dollars should be terrified. You have scrimped and saved only to have the Fed print money and devalue what you have worked so hard for! Inflation has been chosen for you by the Federal Reserve, and we the taxpayers can't even audit its actions. Below is the video from the Joint Economic

Committee Hearing last week. Watch for yourself Bernanke nod yes to printing \$1.3 trillion:

Sections of court papers filed by scandal-scarred former Illinois Gov. Rod Blagojevich that were mistakenly made public show a deeper involvement by President Obama in picking his Senate successor and call into question the president's public statements on the case.

According to passages in the papers filed Thursday by Blagojevich's lawyers — which were blacked out under a judge's order but made visible by a computer glitch — Obama, then president-elect, spoke directly to the disgraced governor on Dec. 1, 2008.

But just one week later on the day Blagojevich was indicted Obama told reporters flatly, "I had no contact with the governor or his office, and so we were not — I was not aware of what was happening." BBQ FOR O AND MICHELLE

The allegation is just one of a host of thorny claims about Obama that were apparently inadvertently revealed when a blogger found it was possible to read the redacted lines by simply copying and pasting them into a regular text file.

Blagojevich is set to go on trial in June on charges that he tried to sell the Senate seat vacated by Obama. The judge had ordered large sections of the defense team's filing to be blacked out.

The newly revealed sections also contradict Obama's claims that he never discussed favorable legislative action in exchange for a large campaign contribution with his former neighbor, fund-raiser and key supporter Tony Rezko, who has since been convicted of fraud.

Blagojevich's lawyers charge that Rezko has told the feds that, indeed, he did have such conversations with a "public official." The defense believes the official to be Obama. Also contained in the unredacted papers is a claim that, contrary to his denials, Obama did push longtime friend and adviser Valerie Jarrett for his old Senate seat using a union official as a go-between with Blagojevich.

The filing indicates that the union official has testified to federal investigators about a phone call he had with Obama on the day before he won the presidency in which he indicated that Jarrett "would be a good senator for the people of Illinois and would be a candidate who could win re-election."

The White House has refused to comment on the case.

Here is the primary risk of why frontloading the US Treasury with ultra-short holdings is just asking for a capital markets/liquidity/solvency/sovereign crisis. So far in April, the US Treasury has redeemed over \$484 billion in Bills. That's nearly a half a trillion in mandatory cash outflows, interest payments aside. In April the cash out for interest expense will likely be one twentieth of this. What people don't realize is that the Treasury in April was down to just \$9 billion in cash. Unless the UST can roll its debt not on a monthly but now weekly basis in greater and greater amounts, the interest rate doesn't matter. All it takes is one semi-failed auction and it's game over as hundreds of billions in bills become payable.

Today's Senate hearings, carried on [CNBC](#), Bloomberg, and [C-SPAN](#), represent the first major exposure of the American people to the scandalous frauds of the derivatives casino, including synthetic collateralized debt obligations (synthetic CDOs or CDO²). These are things most people have heard very little about. They begin to open up the shocking reality behind such shopworn euphemisms like "toxic assets," "exotic instruments," and "troubled

assets.” Reactionaries in general and Republicans in particular have done everything possible to hide the role of derivatives, which must be considered the main cause of the financial panic of September 2008 which brought down Lehman Brothers, Merrill Lynch, and AIG, after felling Bear Stearns in March of the same year. The reactionary legend, repeated yesterday on the Senate floor by financier minion GOP Sen. Gregg of New Hampshire, is that the crisis was caused by poor people taking out subprime mortgages and then defaulting, bringing down the entire Anglo-American banking system and triggering the bailouts. Either that, or too much government spending was too blame.

The Securities and Exchange Commission has referred its investigation of [Goldman Sachs](#) to the Justice Department for possible criminal prosecution, less than two weeks after filing a civil securities fraud case against the firm, according to a source familiar with the matter.

Any probe by the Justice Department would be in a preliminary stage. No Goldman Sachs employees involved in the mortgage-related transactions that are the focus of the SEC case have been interviewed by Justice Department prosecutors or the FBI agents who often conduct probes on behalf of prosecutors, according to a source familiar with the matter. The sources spoke on the condition of anonymity because they were not authorized to discuss the matter publicly.

The Justice Department usually investigates high-profile cases of securities fraud, but the threshold for criminal prosecution is significantly higher than that of civil cases. The SEC only files civil cases.

The Wall Street Journal and Bloomberg News reported Thursday night that the U.S. attorney’s office in Manhattan had followed up on the request and opened a criminal probe. The office declined to comment.

2

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