

US Government Shutdown: Temporary Ailment or Symptom of a Grave Economic and Political Disease?

'Congress all bribed, has zero confidence in eyes of American people' - World Bank whistleblower

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Are the Republicans right in their move to block Obamacare spending?

Who gains from the shutdown turmoil? Do the politicians care about their citizens?

Our guest comes from the very heart of the banking system: Karen Hudes was World Bank lawyer when she blew the whistle on major corruption cases in the system and was fired as a result.

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Sophie Shevardnadze: *Our guest today is whistleblower Karen Hudes, former senior counsel at the World Bank. Karen, it's great to have you on a show today.*

Karen Hudes: Thanks for having me. Sophie, I'm glad to be with you.

SS: *So, the government shutdown. Is the move on the part of the Republicans justified? Is fighting off Obamacare worth all this mess?*

KH: I think there is something more going on behind the scenes. A lot more, actually.

SS: *What do you mean?*

KH: Well, there is terrible currency problem. We're on the verge of the currency war. The Federal Reserve is printing dollars like there is no tomorrow, and if they keep going, the rest of the world is not going to accept them. As it is, the BRICS countries - Brazil, Russia, India, China and South Africa - have decided that they are going to finance the trade among these countries with assets and pay for the difference in gold. And this is the right move for them...

SS: *But how is that connected with a shutdown though?*

KH: The US Congress has been fighting with the presidency, because the presidency have been in total contempt, and the highest legal officer of the United States government has also been in contempt of Congress in fighting this international corruption that is ruining the dollar as an international reserve currency.

SS: *But you know, economists have been predicting the dollar will fall ever since the crisis in 2008. But the Government has managed to keep it afloat.*

KH: Well, not for long. If you look at what's going in the gold and other precious metals markets, silver as well, we're headed towards something called "permanent gold backwardation"- that means there is a loss in confidence in the fiat currencies that are issued by those private banks. They like to consider themselves as 'public banks' but they really are owned by private entities. And these currencies are about to crash because they are valueless, that's what always happens to paper currencies that aren't backed by assets.

SS: *Like you've mentioned - "gold backwardation", gold is often chanted as perfectly safe investment and alternative to the dollar, even. But how come the price of gold is falling?*

KH: Because of market manipulation - but that can only continue for so long because the Central Banks are running out of gold and the rest of the world are lining up to buy them. If you want to buy gold today, you have to pay a premium. What they are offering in the future is called 'a naked short'. They don't have the gold to back those offers, that's illegal what they are doing.

SS: *I will get back to gold in a bit. But for now I would like to focus on Obamacare. In your opinion, is Obamacare really that crucial for the US economy?*

KH: What you have is something that's very good for the medical insurers because most of the other countries that offer medical coverage do this through a single issuer. And that's not what we have here. What we have here is a bill that was drafted by the medical insurance companies. It's not good for this economy. It never was.

SS: *Why do you say it's not good?*

KH: Because what's happening is that workers that worked full-time are being put deliberately on part-time basis, so that the companies can avoid giving the medical insurance coverage under the provisions of the law.

SS: *You know this Obamacare thing.. I've heard it many times being compared to Socialism, Communism sometimes even. Do you trace the resemblance?*

KH: That's just because the mainstream media, when they report about what's going on, are doing it by telling lies and anything that's good for the powers that be. The mainstream media is completely owned and controlled by the same companies, private companies that own the Federal Reserve System. Most of the American citizens are clueless about the corruption that's rifling their economy.

SS: *But just to make sure - are you saying that everything about Obamacare is bad? Or are there good things about it?*

KH: No, of course, there are good things about it. But the problem is that the people that wanted to get up decent coverage were not given the tools, they were not given the equipment, they were not given the press coverage - the honest press coverage, that society needs to enact just legislation. The Congress people are all bribed by these corrupt forces and the American citizens have zero confidence in their Congress.

SS: *So, at this point you side with the Republicans for blocking the medicare.*

KH: I'm not siding with Democrats or Republicans, because both of those parties have been co-opted by these terrible corrupt forces I'm talking about.

SS: *What we have right now is Americans being forced to get health insurance. How does it go with their love of liberties and freedom of choice?*

KH: It's not so much a question of being forced; you have to look at those parts of the society that have been thrown under the bus. The uneducated children, who are not given superior education, like we used to have. We are society that is giving short shrift to the people that need us. I'm not saying that we ignore the health needs of our country. I'm saying that we ignore the mainstream media, because they are not telling us the truth.

SS: *You know, I've also heard Obama supporters argue that the American Capitalism is on the verge of death in its present form, the way it is existing now, and the social injections, meaning the medical care and Obamacare, are needed as the only way to reform it or save it. Do you agree or disagree with that?*

KH: The problem is not with the American citizens, they are a wonderful group, their values are good. It's just that they are not given the tools that they need to have a just society. They are not given the basic information about what is really going on and who is benefiting from the economies that they are being told... they are being told that they have no money, they have taken an entire city, Detroit, and declared it bankrupt. When what's actually happening is their tax dollars are not even staying in the society, their tax dollars are going by treaty to the United Kingdom, and then they are being transferred to the Vatican, to the bank of the Vatican. This is not a society that is going to be sustainable on any basis, for any reason.

SS: *Do you feel like American economy is picking up because we hear President Obama*

saying the shutdown hurts American economy but at the very sensitive moment, word is it has just started to catch up. Do you feel like it's catching up really?

KH: Those numbers about the employment are completely fabricated because they are not counting those people who have given up ever finding a job as unemployed. That's ridiculous! The real rate is just about double what they reported as being.

SS: *So the American debt looks like a doomed patient. Is there any other possibility for it than just grow into eternity forever? I mean raising debt ceiling once or twice a year, what's the problem?*

KH: The problem is actually when you talk about debt, is that our currency is financed by debt; our currency is issued by the Federal Reserve instead of the Treasury which is unconstitutional. When the Federal Reserve System was instituted in 1913 most of the Congress was on break, they sneaked that legislation through. So the debt is there simply for those bankers to put in interest on it and have it grow and compound every year. The debt is a fabrication, it's probably should be repudiated. But it can be repudiated until you'll have looked that all of the implications.

SS: *Do you think it's going to go on and on forever?*

KH: No, what I think it's going to happen is that at the upcoming Bretton Woods meeting on October 9th the countries of the world, the foreign ministers of the world are going to sit down and have a rational basis for currency rather than this fiat currency which is absolutely... what can I say, it makes no sense to anyone but the bankers that are issuing it.

SS: *So, when you look at the concept of the debt, it's much more than just borrowing money - it makes you controllable. For example, in the case of US - who controls it, you mean the big corporations, or countries like China and Japan, who control large chunks of the debt?*

KH: Well, that's a very good question and, fortunately, some mathematicians at the Swiss Federal Institute of Technology have given us a very precise answer. They did a study of who owns and controls the companies on the capital markets - 43 000 companies. They found out that there is «a secret super-entity», they call it, that owns 60% of the earnings every year and 40% of the assets. They did this by putting the same people on the boards of these companies. So, they have ten times the economic power than they are entitled to. And they thought that none would catch them at it. This is a huge conglomerate that has been rigging the labor prices, it has been rigging all of the commodity's prices, and it has been trading in the securities markets with the insider information. It has got to be stopped. It also bought up the media and has been lying to people deliberately. This is going to stop.

SS: *So just to answer my question - the government is controlled by the conglomerate or the corporations rather than countries that are up and coming economically, right? Why haven't these corporations or conglomerate, as you call it, been caught? Why is nothing changing?*

KH: That's the whole point about it. They'd like to think they are in control but they are not, they are not above the law. And we, citizens, know exactly what they are up to, we've been working on this problem, all of the governors of the States have been working on this terrible corruption, so have the Attorneys-General, so have the Sheriffs, and it's not going to

continue. The American people are taking back their government and they are stopping this terrible corruption.

SS: *As of today, the United States is a financial heart of the world. Whether it collapses or keeps on going, it's obviously wrong - this much power is concentrated in one place. Asia is a rising monster right now; could it be stealing this financial role from the US? Do you think China, for example, could steal its financial role from the US? Or are they also controlled by that same financial elite you're mentioning?*

KH: Well, I can tell you that the Jesuits have a very strong stranglehold on China as well but I can also tell you that the transition of economic strengths from the western countries to the east is going to happen, but it's going to happen in a smooth way. It's not going to be a transition through a currency war like that terrible corrupt group is trying to manipulate everyone into. No, we're going to have a peaceful power transition this time around; we're not going to have the World War III. They try to pull it off in Syria, they are now thinking they can pull it off in Iran, it's not happening. The citizens of the world see what they are doing and we're not letting them get away with it this time.

SS: *Foreign governments keep buying US Treasury bonds despite obvious problems US economy is facing. What's making them do that, in your opinion?*

KH: I think the biggest market for the Federal Reserve notes is the US Treasury and there is a gut of dollars right now. But, yes, there is also a small market, unfortunately, the market is weakening as the dollar weakens because of all of this, what they call quantitative easing, where every month so many additional dollars are printed with absolutely no backing.

SS: *Should we be buying gold?*

KH: Well, yes and no, I think gold is probably a wise purchase right now, but more as insurance than investment, because there is actually a great deal of gold, there is even more gold than people know about. For example, the amount of gold in the deposit in the Bank of Hawaii is 170 000 tonnes, this is more than the World Gold Council says is available for all the gold on the Earth. People don't know how much gold there is, there is a lot of gold.

SS: *Are you buying gold?*

KH: I did actually, yes. But not because it's an investment, but because I'm not 100% certain that we're going to get to act together before all of the paper fiat currency falls apart. So I see it as insurance, but because of the amount of gold that's actually around in the world in deposit all over the world I'm not so sure it's a great investment.

SS: *So you think the return to the gold standard is a realistic thing? It could be a possibility?*

KH: Well, actually, that's not such a good thing. The currency ought to be backed by value, but there is no reason why it should be restricted to precious metals, it could be any of the commodities that are valuable. The important thing is that, yes, the currency should be backed by assets rather than by debt as we now have.

SS: *But if a financial collapse happens, let's say, will gold be of any use? I mean, there is shortage of food, look at the world today, the biggest problem we're facing is the clean drinking water. What gold is going to do about that?*

KH: First of all, I think that we're going to manage to get our act together; I'm not expecting a collapse. Very accurate game-theory model is showing that we're going to manage to make a transition in a very smooth way; maybe there'll be a few fits and starts, but I think most of the countries in the world are in favor of working together and not to have a collapse. The only thing that you're saying is that some of these crooks haven't figured out, they haven't seen the writing on the wall, they haven't seen that we understand that there is a way to work together and avoid these problems, which are definitely avoidable.

SS: *So, Karen, you were a senior counsel at the World Bank. Tell me something, honest banking is this an oxymoron?*

KH: No, we have examples all over the place - in the United States, the state of North Dakota has its own state bank and many of the other states are looking at that - at the moment 22 other states are looking at it, and we're urging the other 28 states to look at it. There was a bank in Amsterdam that, I think, went on for 300 years with no problem. We know how to do banking, it should be like infrastructure to support the economy, it shouldn't be for the benefit of elites that think they are above the law as we currently have. If you look at the Bank for International Settlements (BIS) - that institution was established when the war reparations were being exacted from Germany after the World War I. That's when it was started in 1930 and I believe its 60 central banks, that are members of the BIS - those are the corporates, those are the ones that really needs to go out of business.

SS: *You first blew the whistle over corruption in the World Bank. Tell us more about your revelations?*

KH: Well, that's actually what happened: I was working in the Philippines and there was a bank... this was at the end of the East Asia financial crisis in the end of the 1990s. And the second largest bank in the Philippines, the Philippine National Bank, there was a loan to strengthen the banking sector and, what happened, that there was a man who own Philippine airlines, Lucio Tan, who ended up buying more than 10% of the shares of the Philippine National Bank without informing the security authorities in the Philippines - that was against the law.

And then I told the person who was in charge of the World Bank Lending Program that they should tell the government of the Philippines that the conditions of the loan were not going to be met. And instead I was reassigned, and I didn't accept that, so I went to the meeting, where it was decided whether or not to disburse the loan and I said that the board was not being informed that the conditions were not met. And then what happened was the loan wasn't disbursed, but the people who had their money on deposit in that bank withdrew their money and the Philippine Deposit Insurance Corp. had to withdraw, had to back up the bank, for five hundred million dollars, and then we didn't disburse our loan for two hundred million and the Japanese didn't disburse their loan for two hundred million. So, that was nine hundred million dollars worth of a poor loan performance and when the evaluation department in the World Bank said that the World Bank had performed satisfactorily, I corrected that report and my correction was never given to the board. That was a cover up. You can't have a cover up in a bank - that shows that money is going the wrong way.

I've been working together with other whistleblowers at the World Bank, because we know that the board has to be informed about what's actually going on. Other whistleblowers have reported double accounting, we reported this to the UK Parliament, I reported it to the European Parliament in 2011 and the European Parliament wrote the letter to the World

Bank. I had a very detailed chronology – and the World Bank never responded. Then I've been reporting this to the US Congress and when the US Congress was asked to give a capital increase to the World Bank, they had asked for a government accountability office audit which never took place.

I was reporting this to the International Organization of Supreme Audit institutions and then I asked the board to require KPMG to do an audit of the World Bank Internal Controls. KPMG did not follow the auditing standards, so I reported this to the public company accounting oversight board, I reported this to the SEC. But since the SEC couldn't be bothered to sort out the insider trading for the Federal Reserve System, they certainly weren't going to straighten out the bonds in the World Bank. So I bought a World Bank bond and I sued under the securities laws, and I also went to each and every Attorney-General in the States, and I told the States that they were responsible for making sure that there was accurate financial information going to the bond holders in their States, and I also went to the International Organization of the Securities Commissioners. So, the World Bank has got to be brought into compliance and there has to be transparency in the capital markets, and the insider training of the Federal Reserve System is going to be history in short order.

SS: *Do you feel safe after all these leaks, I mean you were fired?*

KH: You know I have been working with some very wonderful whistleblowers; in particular, I'd like to mention Mark Novitsky who has been reporting about insider trading and inaccurate financial reporting for Teletech, which is a company that had been spying on American citizens. So, when whistleblowers work together, and compare notes and share information you get a very accurate picture. In addition, I'd like to mention Larry Harrison, who has been my PR guy. So when you have people who you're working with it's not so easy to shut the whistleblowers down, we just gain in strength. We're going from strength to strength.

SS: *Do you feel like you are being heard? Is anything changing?*

KH: Well, that's what I like to ask your audience.

SS: *Do you feel like anything changing in the system by whistleblowing on it?*

KH: Yes, I absolutely do. I think the number of people they are hearing my message and that are looking into this information, and every day they are sending me e-mails. They are going out and they are getting their neighbors to find out what's really going on. I don't think this mainstream media is going to have too big of an audience at the rate we're going.

SS: *There are liberty movements that are actually picking up now, the likes of Bitcoin, for example. Can they ever grow into a solid rival to the conventional system?*

KH: I think they're going to be a force to be reckoned with, yes. It's a matter of fact. There are other similar kinds of payment systems that are now gaining currency. Yes, I think we're going to have a world where there's a lot of choice and the legal tender is not going to be used to put people into debt and to imprison them.

SS: *Are you using a Bitcoin as of now?*

KH: That's a good question. I'm trying to learn how. There is a conference that is taking place and I'm going to try to get myself sorted out on that.

SS: Karen, thank you very much for your time. That's all for today. Our guest was a former insider at the World Bank, ex-senior counsel Karen Hudes. Thanks for watching and we will see next time here in SophieCo.

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