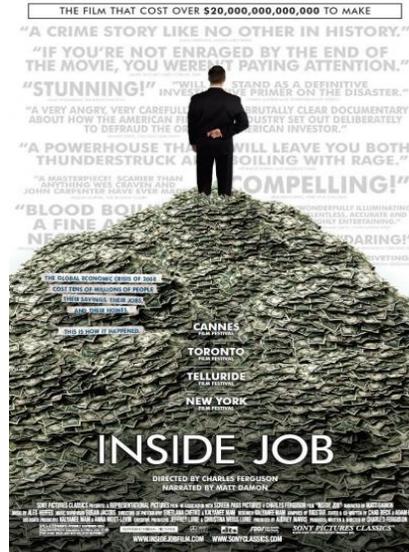


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FAKE BANKRUPTCY



by Miles Mathis

I watched a movie called *Inside Job* last night. No, this one was not about 911, it was about the economic collapse of 2008. It won some top awards at various film festivals for best documentary, including an Oscar in February of this year. The premise was that the collapse was engineered by the big banks and investment firms, abetted by the Federal Reserve, and that bankers inside the government then prevented any serious investigation or prosecution. It sounds explosive on the cover of a DVD, and it would have sounded explosive to someone who had been asleep for the past decade, but really, we already knew that. The movie is actually pretty tame. The director scores a few interviews, and a couple of them make the interviewee look very bad, but overall the thing is a weak punch. As soon as I saw the opening credits, I predicted it would be a weak punch, since it is clear from the first frame that some big money was behind this thing. It is very slick, very edited, and it appears they had access to helicopters and very expensive cameras and so on. They also had extraordinary access to very rich people. If you or I made this movie, could we get interviews with these people? No. We couldn't even get an email through to them. So I knew that this must have been made as an attack by some rich people upon other rich people. The movie itself was an inside job. It was the expensive effort to pin the blame on certain characters, and to allow others to come off looking like heroes or experts. Just as an example, George Soros, Paul Volcker, Barney Frank, and Dominique Strauss-Kahn come off smelling like a rose, while Frederic Mishkin, Larry Summers, Glenn Hubbard, and Alan Greenspan stink the place up. I don't know much about the power struggles between these people, but I do know that the first four aren't heroes. Just as a quick reminder, Strauss-Kahn is the managing director of the IMF, the international monetary fund. The IMF is basically another inside job, but this job is directed at the third world instead of you and me. Basically they get smaller countries into a jam by loaning them money, kind of like your credit card company does with you. They then use this debt as leverage to come in and steal everything of value in the country, including timber, minerals, and the local banking system. The bankers have bought or stolen entire countries this

way.

[Addendum, May 16, 2011: Strauss-Kahn has just been [arrested and denied bail](#), charged with attempted rape. I assume this is the bankers getting back at him for his appearance on *Inside Job*, among other things.]

Inside Job claims on its cover that it will engage and enrage you, but it actually acts to do just the opposite. The tone of the director/interviewer Charles Ferguson is surprisingly calm and non-confrontational. The music tries to convince us he is asking tough questions, but he never is. He only asks a couple of slightly uncomfortable questions, the kind that might impress teenage girls. But those he is interviewing don't appear too concerned. He keeps asking them if they are contrite, for instance. That is sort of like asking a shark if he is contrite for eating a fish. The question must appear ridiculous to these people. OF COURSE they don't have any conscience. If they had, they wouldn't be sitting there looking smug and overfed. I keep expecting them to laugh in his face, or say to him "poor boy." One of them (Hubbard) says, "Take your best shot!" And this is the best shot Ferguson can come up with? Trying to appeal to their sense of honor? This movie is really only directed at the most naïve in the audience.

Ferguson is not only deflecting attention from certain people, who probably put the money up for this movie, he is deflecting attention from certain facts and issues. As another example, he uses the strange method of small white text on a large black background to impart some of the most explosive facts, with no narration and no emotional music. Eliot Spitzer's demise to a sex scandal is just one these played-down facts. The people I was watching the movie with didn't even understand that Eliot Spitzer was the guy talking before that text went up, since he is tagged only once at the beginning of the movie, for a second or two, and I am not sure he was tagged as the Attorney General and then Governor of New York State.

And, although the title of the movie implies that the whole "job" was manufactured from the inside, the movie itself plays this down, making the audience think it was an accident, or at worst the result of deregulation. We are made to think, "If just the Glass-Steagall Act had remained in place!" or "If only the regulator Brooksley Born hadn't been sat on by Larry Summers!" While the truth is, neither one of those things mattered at all. Even now, we have laws against fraud and collusion and racketeering and so on, but they aren't being enforced because the bankers own the SEC, Congress, and the Justice Department. If we still had the Glass-Steagall Act in place, Congress would have to enforce it, wouldn't they? They don't enforce anything anymore. It is a free-for-all. All laws are being ignored. All these people from Larry Summers to Glenn Hubbard to Hank Paulson have just decided to do what they want, knowing that no one will stop them. They say, "Yeah, I did it, what are you going to do about it?" It is clear what we are going to do about it. Nothing. The only thing we do about inside jobs is make documentaries. These crooks aren't bothered by documentaries, which is why they go on camera. They say, "Make all the documentaries you want, we love to see ourselves on camera!"

But the reason I decided to write this paper has to do with none of this. I only write papers when I have something to tell you that no one else is telling you. In the movie, one expert is saying that physicists and mathematicians went into economics instead of science sometime in the 1990s, seeing an opening there. Like professors going to Vegas, they detected a weakness in the system and saw how to exploit it. That got my mind to turning. I moonlight as a mathematician and physicist, as some of you may know, and I am pretty good at spotting holes. So what hole did these guys really crawl through? Have we understood the mechanism even now? I don't think so. What I will suggest now is just a hypothesis, but I came to it by the normal methods of deduction.

Again and again we have been told that the rating agencies like Standard and Poor's failed to see this coming. They were still giving AIG a triple A rating up to the end, for instance. In the movie this fact is crammed down our throat, and it finally reached my stomach. I digested it. Most people have come to the conclusion that these rating agencies were either very incompetent, or they were bought by the banks. Neither of these conclusions are stated in the film, but they are implied. I think there is a third possibility. Keep that in mind while I hit some other things.

In one kind of insurance fraud, you buy a life insurance policy on a person close to you, and then that person fakes his death. You both collect the money and split it. Remember that also.

We have found out over the past decade that the stock market is rigged. We always knew about insider trading, but it turns out that is only a sidelight. It turns out that those who run the big exchanges are like the owners of a big casino. The odds are always in their favor, they know what is happening before it happens, and they often create the odds directly, by being in control of the machines. Not only do they have huge buying and selling power, through which they can push prices up or down, but they now actually have control of the computers. Just as the voting computers can be hacked or controlled, so can the machines that run the stock exchanges. They can now produce numbers in the machines without actually making real trades. Some of this we learned from high profile cases like Bernie Madoff, who was the Chairman of both NASDAQ and NASD, and some we deduce. We deduce the hacked machines from two things: unexplained ups and downs in the ticker, too great and too fast to be explained by actual trades, and by the hacking of voting machines. If voting computers can be hacked, so can trading computers. In the modern world, those who control the machines control the action. Remember that.

The ex-broker and options trader Max Keiser has said on European television that Goldman Sachs is currently stealing \$100 million a day directly from the exchanges. If you do your research, you will find that is exactly how they are doing it. They control the machines. They run the casino.

Another curious fact we learn from the movie, a fact most pass by, is that Lehman Brothers was taken into bankruptcy by the Fed itself, behind closed doors. That's right, the Fed just *announced* that Lehman Brothers was bankrupt. Other than that, we have no proof Lehman Brothers actually was bankrupt. No autopsy or final audit was done. You will say we have the ticker, which shows the nosedive, but I just showed you that can be faked. This is one of a million reasons the Fed does not want an audit.

Nobody ever goes where I am going here because they assume that Lehman Brothers didn't want to be bankrupt. People just assume that companies wish to avoid bankruptcy. But, considering all the actions of the executives of LB leading up to 2008, that isn't a very good assumption. According to the mainstream storyline, they made a series of not only bad investments, but ludicrously bad investments, investments that not even deregulation or greed can explain. We are told they had no concern for the health of the company, since they felt assured of their private money regardless. But of course that means they *didn't* wish to avoid bankruptcy. Most people interpret this to mean they didn't care one way or another, since they were so callous, but I interpret it to mean that they *did* wish the company to be bankrupt. In other words, bankruptcy was not an accident, it was the plan.

You will say, "Yes, we know they drove their company into the ground." But that is still missing my point. I don't believe they *did* drive their company into the ground like that. What they did is fake the death of their company, in order to collect the insurance policy. Walk with me a moment. What if

Goldman Sachs, Lehman Brothers, and the Fed all agreed to fake the death of Lehman Brothers, for the larger profit of all three? That would explain why the rating agencies didn't know Lehman Brothers was insolvent. Lehman Brothers *wasn't* insolvent. The bankruptcy was faked.

We see more indirect proof of this from the actions of the company boards, who never punish their executives for appearing to gut their companies. The movie points out that these boards allow the executives to keep their salaries, pensions, and bonuses, and often even add extra bonuses at the end, as if the executives were being rewarded for the bankruptcy. No one ever makes sense of that. The movie leaves it as an open question. Why would the company boards do that? *Because the executives were following the plan.* Bankruptcy *was* the plan, and the important people in the company are profiting up to the end, and after the apparent end. What we have is insurance fraud: the fake death of a company.

You will ask, "What insurance policy did they collect on? We would know about that, because there would be a paper trail." The insurance policy was underwritten by the treasury, via the taxpayers. Lehman Brothers thought they would be bailed out, like the others, getting an infusion of free money. Goldman Sachs probably agreed to share its bets with Lehman Brothers as well. Lehman couldn't bet on its own death, but Goldman Sachs could. In the new world of derivatives betting, you don't have to have an insurable relationship in order to bet against a body. For instance, I can take a life insurance policy out on my wife, because the agency assumes I don't wish my wife to be dead. I cannot take a life insurance policy out on my mother-in-law, because the agency is not so sure of that one. But in the new world of derivatives, you can bet on anything. Goldman Sachs can easily bet on the death of Lehman Brothers, and can easily agree under the table to share the collection of that bet with Lehman, just as you would agree to share the insurance money with your wife, after you both faked her death.

But Goldman Sachs was the cleverest here, because, being in control of the Fed, Goldman Sachs could then renege on its unwritten agreement. As soon as Lehman Brothers got behind the closed doors of the Fed, Goldman Sachs said, "Gotcha!". At that point, there is nothing Lehman Brothers could do. If the Fed and the ticker say you are dead, you are dead.

And Goldman Sachs then profited in multiple ways. One, it got rid of a competitor. Two, it got to keep the whole bet and didn't have to share with Lehman Brothers. Three, Goldman Sachs also got to dip into the treasury. Congress was so upset at the death of Lehman Brothers, and its inability to bail them out with taxpayers dollars, that it decided to shower money on Goldman Sachs instead, although Goldman was in no need of it.

Of course this led to a spate of fake deaths, because other companies like General Motors soon saw that you didn't even have to die to collect the life insurance policy. You could fake your death and still be alive, but Congress would give you your money anyway. Congress, owned by the Fed, has not turned out to be a very diligent insurer. It actually rewards fraud.

We learn two things from all this. One, these hearings in front of Congress are just dog and pony shows. We see indignant Congressmen and women supposedly grilling Geithner or Summers or Bernanke, and then doing nothing. It may as well be a Dean Martin roast for all that it matters. And those being questioned seem to understand that. At first they were just contemptuous, but after a while they just stopped showing up for the hearings. That's right, we have gotten to the point where these people just decline the invitation from Congress to be interviewed in a hearing. They say, "Charge me with something or leave me alone. Until the marshalls arrive at my door, I am not answering any questions, and not even then." They learned that from the President and Vice-President, after 911. Everybody knows Congress isn't going to do anything, so it has all become a sad inside joke.

The second thing we learn is that the Fed wasn't just an accomplice or a cover in all this, it was the major player, the big thief. At some point in the 90s, the central bankers figured out that they didn't have to be satisfied with a percentage of all money that came through the treasury. They didn't need to stop with loaning the Government money and collecting a percentage. They saw that without a diligent Congress, the treasury was just theirs, to do with as they pleased. Except for what the military was taking, they could take it all. In fact, they saw that they could take *more* than all of it, since they could take future proceeds as well. By driving up the debt, they could steal future taxes, with almost no ceiling. That's what we have now. We think we have hit the ceiling, since the debt already appears too large to ever pay back, but that won't stop the bankers. Since we are allowing them to steal, they will keep stealing until we stop them or there is nothing left to steal. Once we are all living in tents, I suppose it will be over, but they may try to mortgage the tents, too.

Since we see this movie garnering an Oscar, we may assume that someone besides the taxpayers may wish to stop the bankers. We may assume Soros wishes to stop them, or some of them. Why? Because if we are all living in tents, we can't underwrite a bloated military, can we? Some of these rich people are invested in Raytheon and Lockheed and Boeing and General Dynamics and so on. If the bankers steal all future taxes, the share going to the military drops dramatically. Even their dopey economists should understand that. You can't steal from the homeless and the jobless, so it makes no sense to rob the taxpayer beyond a certain limit. The levels in the 90s now appear to be sustainable to the billionaire crooks, while the levels in the 00s appear to be unsustainable. I don't believe the crooks really desire to destroy the US. Like any smart parasite, they desire to suck as much blood from the host as they can, without actually killing it. I think some few of them have seen they have gone too far. It doesn't benefit them to make us into a third world country, where we are all working in sweat shops as their slaves. Why? Because third world countries don't have the tax bases to support huge militaries. Sweatshop countries don't have GNPs that allow for the levels of thieving we have here. These people used to understand that. Their economists used to at least have the brainpower to understand that the greatest amount of skimming was possible when you have the largest pot on the stove. You can steal all the natural resources and labor you want: the pot is still going to be small if the people are poor. You can actually steal the most from a large body of fairly wealthy people, as was proved in the 1990s. The more wealthy they are, the more careless they are with their money. They will buy things they don't need for much more than they are worth, they will pay taxes for things you don't give them, and they won't bother to balance the checkbook, since they aren't short of money. This is basically the argument of Soros. All billionaires are big crooks, and Soros is a billionaire, but he wants to go back to the 90s, when the host was fat and oblivious. I can't blame him for that.