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Banking, Basel, Marks and Markets

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Tue, 04/28/2009 - 23:28 — [james](#)

Banking, Basel, Marks and Markets

Both the "mark to market" valuations for businesses set by FAS157 and the same effectivley for banks through Basel 11 which built on the original Basel accord, have set in place mechanisms which are prone to, and I believe designed to, the cascading effect. Looking at the effects of this or that regulation is a bit like trying to piece together what happened after a nuclear explosion by focusing on the cascading atomic reaction rather than on who designed and built this bloody bomb and who triggered it. In our case it is the bankers and their various regulatory bodies such as the Bank for International Settlements (BIS).

Here we have the industry looking at the cascading effect:-

" In short, the rules are seen as being pro-cyclical.

"There's a fundamental weakness in the regulatory framework because it puts no constraints on banks' rate of growth when things are going well then bites deeply later on, which could mean each boom is followed by a credit crunch - when what you really want is to moderate the boom in advance," says the LSE's [London School of Economics] Goodhart."

Yeah well, Goodhart may well say, "what YOU (that's us, folks) really want..." but he could have added, "What WE really want (speaking for the bankers) is ever wilder cycles up and down."

Cycles of boom and bust suit bankers. This can be determined rather simply because bankers are the ones who create this yo-yo cycle and it takes deliberate decisions on their part to do it. And they are the ones who profit from it every time. They do it by pumping the money supply up with lotsa loans and then deflating it and collecting lotsa cheap assets. This is the same mechanism behind the mysterious "business cycle". That some banks are going bust now does not mean that the bankers at the centre of control (BIS) are suffering. They're thinning out the competition.

When the Basel Accord was adopted by various governments, it took away control of banks by the host governments. Bank lending was no longer constrained by the government. The government in Australia, for instance, previously could regulate the lending of banks, in theory at least, (but in practice, the banks told the government what to do) independent of the market through Statutory Reserve Deposits i.e. it could go against the Market to

damp it down. But now the banks would be regulated BY the market i.e go with it with no restraint now. "The Market" reigns supreme now but the market is and always has been subject to manipulation. And guess who is in the best position to manipulate it? Yes, our old friends the international bankers who own and control the major central banks of the world and their co-ordinating body, the BIS.

The Basel accord imposed on banks an overall set ratio of 8% capital to loans to non government bodies. But the ratio varied between loans for real estate (favoured), for instance, and commercial loans to industry (penalised by a higher ratio). The first thing that happened was that productive industry suffered and speculation in real estate and securities took off. Then these more speculative loans were on sold for a profit and this took them off their balance sheets which allowed the banks to lend more and more while still remaining within their capital ratio.

Meanwhile, they are making more and more profits from these activities plus, they are now price gouging through the imposition of all sorts of fees. This meant massive profits which then increased their capital which meant they could loan evermore money into the speculative sector. Banks were competing with each other for this largesse. Truly pigs at the trough. This self feeding cascading effect facilitated the long boom through the nineties till now, while all the while, industry is suffering and shrinking. The parasite is killing the host. But this situation can't keep going forever and eventually must slow and then the freefall starts. The system reverses itself. There's no mystery here. It was all predictable and therefore must be seen as deliberate on the part of the regulators who designed and brought this system in; the Bank for International Settlements and all the government officials who obliged in adopting it. Now the arguments start.

But arguing with bankers or investment people over regulations is a bit like arguing with a bunch of alcoholics, who have been left in charge of the liquor store, over the trading hours. The whole thing is nuts. One just should not be in this situation.

When I rule the world, these are the laws I will impose 😊 !

- 1 The only body that will issue currency i.e. the money supply, is a government central bank.
- 2 Governments will only borrow from their own bank.
- 3 Private banks will be reduced to the status of Credit Co-ops or S&Ls in that they can only lend out funds what they have previously taken in as deposits.
- 4 No one will be able to on-sell a loan without incurring penalties (to discourage speculation) and with the specific permission of the borrower.
- 5 Short selling will be illegal in all markets, period. It is fraud to sell something you don't have or own. Future positions can be covered by put and call options or common insurance.
- 6 Foreign exchange can be handled internally via a government run market in which exporters are able to sell their well earned foreign currency to importers (who have to produce trade contracts to validate their need for it) and the price is set by normal market supply and demand. No foreign debt can be accumulated in this fashion and foreign trade does not imbalance the domestic market; it's self regulating. This system was first proposed by **John Iggulden** of Australia some years ago. He called it Impex. And it's nothing short of brilliant in it's simplicity and elegance.

7 All financial markets will be subjected to a turnover tax to raise taxes from those that can afford them and to discourage speculation. Currently, close to 98% of turnover in foreign exchange markets is speculation and has nothing to do with foreign trade. Our economies are being run by gamblers. And addicted gamblers, at that.

8 The money earned from financial market turnover and interest gained from creating the money supply would go a long way, if not all the way, to providing the government's revenue requirements.

All pretty simple.

The whole financial industry as it is, this bloated, blind and toxic parasite, should be as welcome as a turd in a swimming pool in any decent, just and well run society.

[james's blog](#) 177 reads

Comments

Viva James

Wed, 04/29/2009 - 01:15 — Enrico Suarve (not verified)

I vote for you, James for president

Wait - are we voting or is this a wave guns in the air election?

Seriously - good points well put and I couldn't agree more that something along these lines is going - I think the chance of any of us outsiders getting it 100% right from outside are severely limited but this is definitely the outline of the issues

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El Presidente!

Wed, 04/29/2009 - 15:56 — [james](#)

"I vote for you, James for president"

Thanks very much Enrico. Much appreciated (oh, and welcome 😊)

"Wait - are we voting or is this a wave guns in the air election?"

Look! I don't care. Just get it done, OK?!

I've got my Swiss Bank account application in and I've been talking to my old friend, Bobby Mugabe, getting pointers and I'm ready to roll with this

baby. Yeah!! 

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Rolling....

Wed, 04/29/2009 - 18:14 — [McJ](#)

Rolling.....    



"The most unpleasant truth in the long run is a far safer traveling companion than the most agreeable falsehood." Emerson

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'Bitch' List

Fri, 05/01/2009 - 04:04 — [Enrico Suarve](#) (not verified)

Me and my kids super soaker are behind you 100% - careful getting Bobby boy too involved though, remember we want to improve the situation not go for global hyperinflation!

Do you or anyone else know of any way of finding out the 'members' of the Basel Accord or whatever organization is behind it?

It would be an extremely valuable resource to have some sort of org chart/family tree of these people - for instance I just listened to some woman from the British Banking Association spouting on the BBC about how British Banks really were doing OK and how we shouldn't blame them. Some of the stuff she came out was practically propaganda and it would be great to have a reference to be able to see if she has already been identified as taking orders from someone higher

It would just help put some perspective behind some peoples claims

Just a thought

ES

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Laws, Guns and Money

Fri, 05/01/2009 - 15:19 — [james](#)

"Me and my kids super soaker are behind you 100% - careful getting Bobby boy too involved though, remember we want to improve the situation not go for global hyperinflation!"

Thanks for your wholehearted support and also timely warning, Enrico. How does Minister for Finance and Off-Shore Banking sound to you? I'll look after Resources and the "Defence" Dept. We can split the "commissions" from Lockheed and Boeing on military expenditure!

"Do you or anyone else know of any way of finding out the 'members' of the Basel Accord or whatever organization is behind it?"

From [Wikipedia](#), "Basel II is the second of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision.

Also from [Wikipedia](#), "The Basel Committee on Banking Supervision is an institution created by the central bank Governors of the Group of Ten nations . It was created in 1974 and meets regularly four times a year.

Its membership is now composed of senior representatives of bank supervisory authorities and central banks from the G-10 countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States), and representatives from Luxembourg and Spain. The Committee usually meets at the Bank for International Settlements (BIS) in Basel, Switzerland, where its 12 member permanent Secretariat is located. The Committee is often referred to as the BIS Committee after its meeting location. However, the BIS and the Basel Committee remain two distinct entities.[1] ("(But they are of one mind!")

It all sounds sort of above board but what is not made plain is that these various central banks are not government bodies (with the exception of the Bank of Canada). They are owned privately and are controlled by commercial corporate bankers. The Bank of Canada is owned by the government of Canada but it does not control it. (Same goes for Australia and New Zealand.) All these central banks, however, have the appearance of control by their various governments by appointing their governing boards but they have no control thereafter. But since the corporate banks control the economy and the various political parties, they control the governments and therefore the appointments. Nice and circular! So the governments are used as fronts and "cut-outs", to use spook speak. Everything is made to look like it is owned and controlled by governments when neither is true. These private banks have interests counter to everybody else. They feed off us, afterall. Therefore everything they do is in their interests and therefore not in our interests. They, of course, will say the opposite.

The Bank for International Settlements does issue shares but these are non-voting shares. The identity of the voting shareholders is secret. Same goes for the Federal Reserve Bank of New York. I do remember many years ago reading that the BIS was set up by a group of private "Merchant Banks" as they were known then. The list included N.M. Rothschilds and Lazard Freres. I can't remember any more. I might have read it in the classic, "None Dare Call It Conspiracy" by Gary Allen.

I always take the view that if anyone is supporting the interests of the bankers, they are on the "payroll" one way or the other. The same goes for anyone in any position of authority over the banks or the economy. This includes everyone in government cabinets (at least), and also bodies such as the Council on Foreign Relations, Chatham House and the various Round Table or Business Councils. The control is far more extensive than even most "conspiracy theorists" realise. It is organised through secret societies such as the Masons, Knights of Malta and the more "heavy duty" cults that spin off from them. The security agencies are their police and keep any public figures from wandering "off the reservation" through corruption, entrapment, threats of exposure and/or death.

With all that said, I'd say it then becomes pretty easy to spot them. If you take everything they say and assume the opposite is true, you will

be right at least nine times in ten. How much of the truth these people are aware of individually doesn't make much difference to us on a practical level. They are all patsies to one degree or another.

"It would just help put some perspective behind some peoples claims". I hope this explanation does that.

If they are in the public arena, they are on the "payroll" and are not amongst the "paymasters". You could spend a lot of time researching the individual identities of the paymasters but you would be better using the time, I think, to understand the basis of their power, which is the private creation of our currencies through their banks, and spreading this knowledge and its ramifications such as poverty and wars. Take away their ability to create money and their whole dark structure collapses.

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Good Idea James

Wed, 04/29/2009 - 13:00 — [Sally](#)

The world could be such a happy place and it does look quite simple. A few obsessively greedy and selfish men destroy us all daily.

Mike Baker (The Money Masters video) advises as a protection against possible hyper-inflation buying junk silver coins (in the US pre 1963 silver coins were 90% silver). I've checked them out and apparently you pay the spot price of silver + 5% unless there is a real scare and they go up above silver which they often do. In OZ pre 1945 junk silver was sterling (92%) and there's still quite a bit I thnk?

Their value in times of hyperinflation is better than the price of silver as they are readily traded with the amount of silver in each coin easily identified. As long as silver is cheap which it is right now I don't think you can loose too much if you stick to the prescribed formula when purchasing. Just a warning here. I know nothing about money and don't have any.

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Silver and Gold

Wed, 04/29/2009 - 16:06 — [james](#)

Reminds me of a great U2 song. From what I read the silver market is even dodgier than the gold one. Sure wouldn't hurt much to have some though; if you can afford it. Which, like you, i can't.

I think friends are and will be our best insurance.

thanks for posting "The Money Master" vid. I'll have to find a internet connection that will allow me to view it. The one I have here in the backblocks at the end of the world is a peddle job and it gets tiring after a while and I'm not getting any younger, if you know what I mean.

I notice there's some typos and some cleaning up to be done on the essay which I will endeavour to get to later in the day.

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Buying Silver

Wed, 04/29/2009 - 21:14 — [McJ](#)

I've contemplated buying silver as well but I don't really know how to go about it and can't afford it either.

I plant a big garden and do a lot of canning, preserving etc. so I'm thinking some Yukon Gold Potatoes and maybe some Silver Onions might be a plan. 😊

"The most unpleasant truth in the long run is a far safer traveling companion than the most agreeable falsehood." Emerson

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You're Kidding

Thu, 04/30/2009 - 00:53 — [Sally](#)

"I'll have to find a internet connection that will allow me to view it. The one I have here in the backblocks at the end of the world is a peddle job" 😊
😊

Oh my you are not joking about the peddles are you? I just looked it up and they peddle power it in Laos and I suppose Oz is possible if you are really far into the wilderness. Just kidding right?

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Peddles

Thu, 04/30/2009 - 02:18 — [james](#)

Would a lad from the land of the Long Weekend kid a Kiwi? 😊 Ok, you sprung me! We got electrickery on here in Tassie more than three years ago.

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More largess...

Wed, 04/29/2009 - 20:55 — [McJ](#)

Treasury: Over 100 private funds seek to buy toxic assets

Agency plans to pick preliminary qualifiers for public-private program on May 15

By Ronald D. Orol, MarketWatch

Last update: 3:39 p.m. EDT April 29, 2009



A commenter at the Market Ticker 'fixed' this headline to read more appropriately:

Treasury: Over 100 toxic funds seek to steal private assets 😊

WASHINGTON (MarketWatch) -- Over 100 private institutions have sought government approval to join the Treasury's program to clear \$1 trillion in so-called toxic mortgage securities and other assets from banks, the Treasury Department said Wednesday.

Treasury expects to identify which applicants have been pre-approved to participate in the program on May 15.

Under the so-called public-private program, private investors and the Treasury would put in equal amounts of money backed by a loan guarantee from the Federal Deposit Insurance Corp. to buy troubled loans and mortgage-backed securities from banks. The purchases would be made through auctions.

The Treasury plans to pick five large private investors to bid on illiquid securities sold by banks. Under pressure from consumer groups, Treasury on April 6 expanded the program to allow smaller firms run by women, minorities and smaller funds to participate. The Treasury is seeking to "facilitate" having these funds partner with larger, more established funds to apply, an endeavor that the agency believes is working.

"We are pleased to see a number of creative partnership proposals among the applications we are currently evaluating," Treasury said in a statement. Funds that have been approved on May 15 will then be required to start raising the \$500 million in private capital needed to participate. Fund managers are required to seek out retail investors to participate in the program. Treasury plans to match the private capital raised with taxpayer funds to participate in the program.

However, it is unclear when the program will be up and running.

The FDIC hopes to hold a pilot auction of illiquid assets by early June, according to agency spokesman David Barr. The goal would be to test the auction process so that private investors and banks could observe the process and make sure it works.

BlackRock Inc. is one of the applicants. Also, money manager Invesco Ltd. and billionaire buyout specialist Wilbur Ross have applied to the program. They are committing \$1 billion to participate.

Others that may be interested include Western Asset Management, owned by Legg Mason Inc. (LM:

Legg Mason Inc) Investor John Paulson & Co., may be interested as well. Blackstone Group, which owns an asset management firm, may also be interested.

J.P. Morgan Chase & Co. Chief Executive Jamie Dimon said last week the bank has no plans to

<http://www.marketwatch.com/news/story/Treasury-100-funds-seek-buy/story.aspx?guid={0735173E-5AA6-413D-860E-1B5A4E3B6E1B}>

"The most unpleasant truth in the long run is a far safer traveling companion than the most agreeable falsehood." Emerson

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This is all Greek to me.

Thu, 04/30/2009 - 17:19 — tsisageya

Except for this:

The whole financial industry as it is, this bloated, blind and toxic parasite, should be as welcome as a turd in a swimming pool in any decent, just and well run society.

(I'm not all that smart.)

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-NJT

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