

# THE MONEYCHANGER

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## A Moneychanger Interview:

**HELEN DAVIS CHAITMAN:**

# *The Unholy Alliance Between America's Biggest Bank And America's Biggest Crook*

*And I sincerely believe, with you, that banking establishments are more dangerous than standing armies; and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale.*  
– **Thomas Jefferson**, letter to John Taylor, 28 May 1816

From the back cover of Helen Chaitman's book, *JPMadoff*: "Bernie Madoff committed the biggest financial crime in history, stealing \$64.8 billion from tens of thousands of innocent people. But to carry out criminal activity on this scale, he needed a major bank to service his needs and conceal his criminal activities.

"The corrupt bankers at JPMorgan Chase decided to enrich themselves at the expense of innocent customers. They looked the other way for years, while having free use of Madoff's multi-billion dollar balances. And JPMorgan Chase has admitted it violated the federal Bank Secrecy Act by so doing. Yet, to date, not a single JP Morgan Banker has gone to jail."

With her law firm partner Lance Gotthoffer, Helen Chaitman, a lawyer from New York, has written *JPMadoff: The Unholy Alliance between America's biggest Bank and America's Biggest Crook*. She very graciously made time for this interview on 8 June 2016. You can learn more and order the book at her website, [www.jpmadoff.com](http://www.jpmadoff.com). It is jawdropping, irrefutable proof that America's biggest bank is a criminal organization, and leads inescapably to another infuriating conclusion: all the big banks are criminal organizations, and they are running the country.

– F. Sanders

**MONEYCHANGER** I have been immersed in your book, and I want to thank you for transforming a series of complicated events into a useful and understandable story. And your English style is readable, disappearing art. Thank you very much.

CHAITMAN Oh, you're welcome.

**MONEYCHANGER** Your book doesn't deal with Bernie Madoff's fraud but about JPMorgan Chase Bank's complicity in Madoff's crimes. How did JPMorgan participate in Madoff's 15-year, \$64.8 billion Ponzi scheme? Why would they do it, and how did they get away with it?

CHAITMAN Well, it is quite shocking. I was stunned when I realized what had happened, and it was actually Bernie Madoff who tipped me off. In my very first conversation with him, he told me that JPMorgan Chase knew all along what he was doing.

When he first said that to me, I thought, "Oh, that's incredible – America's biggest bank? It's just inconceivable." But then, as I thought about it and as I investigated, I realized that he was 100 percent correct. Think about it. If you deposit all your income and write checks for all of your expenses out of one bank account, your banker can easily understand your entire financial life.

**MONEYCHANGER** Of course.

CHAITMAN He knows every source of income,

and he knows everything you spend your money on. Bernie Madoff had three different businesses: a legitimate market-making business, a legitimate proprietary trading business, and an illegitimate investment advisory business. The legitimate businesses banked at Bank of New York. The fraudulent investment advisory business, banked exclusively at JPMorgan Chase.

A lot of people say to me, "Why would the bank have an obligation to look at Madoff's account?" Under the 1970 US Bank Secrecy Act Congress imposed upon banks the obligation to monitor their customers' accounts. The law requires them to understand their customers' businesses.

When they see an unusual use of cash, they have to report it to the federal government so the federal government can monitor and detect

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money laundering and other financial crimes. It's not simply a question of their being nosy. They had a *legal obligation* to follow their customer's business dealings and failure to do so is punishable as a felony.

In the early 1990s, Madoff had been with Bankers Trust Company in the investment advisory business, and Bankers Trust Company monitored the activity in the account. They saw that he was doing illegal transactions. They called him and said, "Can you explain what you're doing?" When Madoff couldn't, they closed his account and reported his activities to the federal government. Madoff, then, just went across the street to what was then Chemical Bank (later merged into JPMorgan Chase) and continued the same illegal activities.

There's an internal bank memorandum where the account officer describes some of the illegal activities to his superiors, and concludes there was no legitimate explanation for what Madoff was doing and that his actions were, in fact, a crime. But instead of closing down the account as one would have expected a financial institution to do, JPMorgan Chase just simply figured out how they could make money off Madoff's transactions.

Over the years they saw that Madoff was collecting billions of dollars in deposits, and they knew exactly where that money went. They knew he was an investment advisor. They also knew that *he never purchased any securities*. Instead, he passed those billions of dollars to his co-conspirators, while \$3 to \$6 billion just sat in his bank account from 2003 to 2006.

When I was a kid, if you opened a bank account in New York with \$5,000, you got a toaster. So what do you get if you leave \$3 to \$6 billion on deposit at JPMorgan Chase? Remember, this was money JPMorgan Chase used for its own interests. In fact, the London Whale scandal<sup>1</sup> teaches us that under Jamie Dimon's management, JPMorgan Chase speculated *wildly* with depositors' money.

**MONEYCHANGER** So Madoff's "toaster" was that JPMorgan turned a blind eye to his activities *for their own profit*. One of the things I didn't know about was Madoff's ten year, \$105 billion check-kiting scheme with Norman Levy.

**CHAITMAN** Isn't that unbelievable?

**MONEYCHANGER** It just leaves me speechless.

They let the two of them kite checks for ten years! If you or I tried to do one-thousandth of that we'd be slammed in jail so fast it would knock the hinges off the doors.

Although they had a legal duty to monitor his account and his activities, and although they knew Madoff's activities could not possibly be legal, JPMorgan still *intentionally* turned a blind eye so they could use the money.

That raises another question. Is the largest bank in the United States a criminal organization — a bank that 50% of US households bank with -- as you imply? How could they get away with this?

**CHAITMAN** Well, I do say that. I actually have a chapter where I compare the Gambino crime family to JPMorgan Chase. And I conclude the chapter saying that the only distinctions — they're both organizations that profit by violating the law -- were the dress code and the requirement to get haircuts. Actually JPMorgan CEO Jamie Dimon is modifying the dress code now, and Carlo Gambino came into power because Alfred Anastasia had his last haircut at the Statler Hilton in New York.

How does this happen? It has all happened in our lifetime, and it's fascinating. To say that JPMorgan Chase is a criminal institution is something that none of the major media would ever publish. When you have a national game of the Emperor's New Clothes, everybody makes believe that the Wall Street firms are legitimate enterprises. They are not.

Nobody has to take my word for this. Go to my website [www.jpmadoff.com](http://www.jpmadoff.com). You can see there the extent to which JPMorgan Chase has become a criminalized institution. I take information from JPMorgan Chase's Securities & Exchange Commission (SEC) filings, so this is straight from the horse's mouth.

The roulette wheel on my websites spins when you click on it, and it can land on any slice. The slices add up to \$36 billion in fines, penalties, and settlements that JPMorgan Chase has paid out *just in the last four years*. That \$36 billion, of course, represents only a small part of the proceeds they have made from their criminal activities because the government is very kind to them.

The government does not want to clutter up the prisons with criminal bankers, so they never prosecute them. They prosecute the bricks and mortar, and the bricks and mortar cough up a small percentage of the profits that the bank made from its criminal activity.

**MONEY-CHANGER** You have just touched on one of the most screaming points about all of these events, namely, *nobody ever goes to jail*. It's like the supposed overthrow of the Soviet system after 1991.

Nobody was ever put up against the wall and shot. Nobody was ever prosecuted, but a lot of those people turned up in powerful, lucrative positions afterwards.

This is the same pattern *in America*. Nobody goes to jail. To say that a corporation committed a crime is ridiculous. As a lawyer, you know the famous statement made by an 18th century English jurist, "Corporations have no body to kick and no soul to damn."

A corporation doesn't commit a crime: *people commit crimes*. Yet, in spite of egregious, unprecedented corruption and market manipulation scandals, not one single person from these big banks has gone to jail.

**CHAITMAN** That's true, and that's ironic since this is an area where criminal punishment would have a deterrent effect. The one thing that Wall Street's criminals haven't yet figured out is how to hire somebody to do their prison sentences. If they were prosecuted, as I recommend, under the Racketeering Influenced Corrupt Organization (RICO) statute and a few had to go to jail, all of a sudden you'd find a lot of people on Wall Street retiring to their horse farms because nobody bargains for spending time in prison in a black-and-white striped suit.

If you or I had a small company and we had some dishonest person working for us, we would get rid of that person in a flash. In the last three years, JPMorgan Chase has pled guilty to three felonies, two with respect to Madoff. Nobody was fired. Nobody disgorged a bonus. Nobody was



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demoted.

The *corporation* pled guilty to a felony in connection with criminal violations of the Sherman Antitrust laws by conspiring to fix LIBOR, the London Interbank Offered Rate, which impacts loan instruments held by people all over the world. The extent of the LIBOR crime is vast, probably in the trillions of dollars, yet again nobody was fired. Nobody was demoted. Nobody had to disgorge a bonus.

The masterminds behind these crimes are just shifted from one crime to another. Look at the roulette wheel, and you will realize there's a pattern here. This is not an accidental, single bad egg.

I blame President Obama. How could he allow his attorney general, Eric Holder, to articulate the absolutely preposterous proposition that the banks are too big to punish for criminal violations? Think about it: JPMorgan Chase, America's largest bank, has 240,000 employees, and let's assume that 2,000 of those people are criminal minds. Are we supposed to believe that JPMorgan Chase, with 240,000 employees, will collapse if 2,000 people go to jail?

**MONEYCHANGER** You are moving to the conclusion that I find so astonishing. You wrote, on Page 288 in your book, "While the 2008 global financial collapse should have set in motion the same type of reforms that the Roosevelt Administration enacted following the 1929 crash, the major banks' financial hold on Congress has assured that criminal and reckless bankers remain unpunished and uncontrolled. *The result is that we have become a country whose government is controlled by a class of superrich oligarchs who pay for legislation that suits their pecuniary interests.*" [Emphasis added]

It doesn't stop with getting the legislation. They get a pass on prosecution, too.

**CHAITMAN** Right. And if you look at the amount of money, for example, that JPMorgan Chase employees contributed to Obama in his re-election campaign, he sells them get-out-of-jail-free cards just as plain as can be. Unfortunately, I'm sure Hillary Clinton has done the same thing.

**MONEYCHANGER** You devoted a lot of pages to Senator Chuck Schumer's relationship to Madoff and to Preet Bharara (US Attorney for the Southern District of New York).<sup>2</sup> Bharara, as you say, "took a dive" on prosecuting any individuals and on the settlement for JPMorgan's failure to oversee Madoff.

This is a web of people working together. Madoff gave loads of money to Schumer. The law firms are all interconnected *and* connected to politicians. For all I know, the judges are interconnected, as well. It's one big safety net of federal government officials, prosecutors, and politicians who see that

<b>LARGEST US BANKS</b>		
By total assets as of 31 March 2016		
In Billions of US dollars		
J.P.Morgan Chase & Co	New York City, NY	\$2,423.80
Bank of America	Charlotte, NC	\$2,185.50
Wells Fargo	San Francisco, CA	\$1,849.20
Citigroup	New York City, NY	\$1,801.00
Goldman Sachs Group	New York City, NY	\$878.00

bankers never go to jail.

**CHAITMAN** It's absolutely true. I was lobbying on a *pro bono* basis, which, of course, is an oxymoron, but I believed that we actually had a democratic system. I was trying to explain to people in Congress that the Madoff trustee was violating the law, specifically, the Securities Investor Protection Act.

With one or two exceptions, the people I met with had all been programmed by the Securities Investor Protection Corporation (SIPC), which consists of the Wall Street firms who were *renegeing* on SIPC insurance. That was a statute incorporated into the Securities Investor Protection Act to protect investors. Ironically, the one mistake that Congress made was leaving in the Wall Street firms' hands power to decide how much each firm should contribute to the SIPC insurance fund each year.

The fund operated without a problem from 1970 until 2008, but in 1996 the Wall Street firms -- with their typical generosity -- decided that the amount each firm should contribute to the SIPC insurance fund would be -- and I bet nobody who's reading this could ever guess -- \$150.00 a year per firm. So --

**MONEYCHANGER** [Laughs].

**CHAITMAN** Merrill Lynch, JPMorgan Chase, Fidelity, we're talking about firms with tens of millions of customer accounts. They were able to guarantee to each customer that that customer's account was insured for \$500,000 against broker fraud or for one little \$150 check a year to SIPC. The General Accounting Office kept warning SIPC that it wasn't going to have enough money to fund a major liquidation. But everyone was so enamored by \$150 a year that nobody stepped forward and said, "Listen. I think maybe we should be paying a little bit more money to fund the SIPC insurance for all of our customers."

As a result, when Madoff happened, there was no money in the SIPC fund to cover the liability. So the Securities Investor Protection Corporation, with its appointed trustee, Irving Picard, decided that they had made a mistake. For the last *forty* years, they had misconstrued the statute. It doesn't really provide \$500,000 in SIPC insurance for each account based on the customer's last statement. It

only provides insurance for the *net investments*.

Imagine having homeowner's insurance for the value of your home. then, when you have a loss, the insurance company says, "Even though the policy *said* that we insured the current market value of the house, you bought the house in

1947 for \$50,000.00 and now it's worth \$4 million, so we are only insuring the \$50,000.00."

That's the way all the Madoff victims were treated, and the courts approved that.

Now how does that happen? It happens because the senior senator from New York, Chuck Schumer, does not represent the 10 to 20 million people who are Democrats and support him, he only represents the Wall Street firms. That makes it easy because he's got only five constituents.

Remember also that he recommends all the federal judges in his district, subject to the approval of the president, and over the last 15 or 20 years he has picked out judges who are very sympathetic to Wall Street and very *unsympathetic* to individuals. The whole nature of the judiciary has changed .

So what you were saying is true. We've lost. The legislators in Washington have become a bunch of whores who sell their votes to the highest bidders. They don't read the legislation. They only count up how much they're being paid to vote for or against it.

There's never any competition because who can compete with a major corporate interest? Nobody. We've lost the legislature. We've lost the presidency because the presidents all are beholden to their major contributors, and we've lost the judiciary.

**MONEYCHANGER** When people lose confidence in the rule of law, society comes unglued. When people believe that no justice is possible, society can't hold together.

One of the foundations of American prosperity is the rule of law. If you remove that, then you remove American prosperity, as well. You can't run an economy this way with criminals lapping at the bloodstream like vampires.

Financial corporations' profits have gone from 10.5% in 1947 to 35.5% in 2016.<sup>3</sup> There's no economic justification for that. They're draining off a third of all corporate profits. For what? For moving electrons from one side of the computer to the other?

Meanwhile they're deforming the entire legal

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system as well. So I ask you this as a lawyer. Is it possible to get justice against one of these corporations?

CHAITMAN It's virtually impossible. They have the resources. They can hire the very best lawyers, and they have the sympathy of the major judges. There was a very interesting US Supreme Court decision recently in a case called *Manning*.<sup>4</sup> Actually, a lawyer in my office, Greg Dexter, was one of the attorneys for the plaintiff.

It was a lawsuit against Merrill Lynch and a bunch of other major firms for naked short selling, which is a new Wall Street crime. The complaint was filed in New Jersey *state* court, alleging a violation of the New Jersey RICO statute. Merrill Lynch and the other financial institutions, as defendants, sought to move it to *federal* court because they knew that they'd have a much more sympathetic judge there.

The federal judge then *kept* the case in federal court. The plaintiffs appealed it to the Third circuit, which said, "No, this is a case that belongs in state court." This was a very important battle because if you're not going to get a fair hearing in federal court, you're wasting your time litigating in federal court. We felt we would only have a fair hearing before a state court judge because the state court system has not yet been corrupted.

Unfortunately, in 20 years state courts will be corrupted as well, unless we do something. Amazingly, the United States Supreme Court unanimously held that this case belonged in state court. At this point in time, the only shot that people have for a fair hearing against a major corporation is to file the case in state court.

MONEYCHANGER You would agree that JPMorgan Chase is a criminal enterprise the way it's presently being run?

CHAITMAN I would.

MONEYCHANGER What happens to you when make that statement on TV? In the first place, it's very difficult for most people to believe that. People who have no knowledge of judicial and prosecutorial corruption think, "Well, a bank couldn't be that big and that blatant and get away with it."

CHAITMAN The major media will never cover what I've written because it's not sympathetic to JPMorgan Chase, and JPMorgan Chase has so much control over the major media. I had a very funny experience on the sixth anniversary of Madoff's sentencing. For some reason Fox Business, Maria Bartiromo's show called "Opening Bell," asked me if I would appear on her show. By email the assistant producer asked, "What would you like to

talk about?"

I said, "Well, just go to <http://jpmadoff.com>, and you'll see what I'm working on."

Apparently he hadn't had the time to do that, and I thought I would have an opportunity to speak with Maria before the show started, but it turned out that I didn't. I was allocated seven minutes, so the makeup person spent a long time making me up because she thought I was such an important person since I had seven minutes, which is a lot of time on TV. Once again, I didn't get to speak to Maria before I got on stage.

So I was brought out to that stage set, an L-shaped table. Maria said, "And now we have Helen Davis Chaitman. She is one of the world's leading experts on Madoff," and so forth. "Miss Chaitman, tell us what you're working on."

I said, "Well, as a matter of fact, Maria, I'm suing JPMorgan Chase."

Since JPMorgan Chase is one of the major sponsors of Fox Business, Maria said, "Suing JPMorgan Chase? For heaven's sake, what are you suing them for?"

I said, "Well, as a matter of fact, the evidence shows that JPMorgan Chase knew all along that Madoff was committing crimes, and they did nothing about it. They continued to allow him to bank at the bank, and they failed to report him to the federal government, which they had a legal obligation to do."

She said, "Well, why would they have an obligation to do something?"

"Well, Maria, because in 1970, Congress enacted the Bank Secrecy Act, and it imposed upon banks the obligation to monitor the activity in their customers' accounts."

I could hear some kind of static in Maria's earpiece, and she announced what she later told me was an "emergency commercial" [laughs]. I was very glad that she didn't have an ejection mechanism in my chair because otherwise she would've ejected me from the 41st story window.

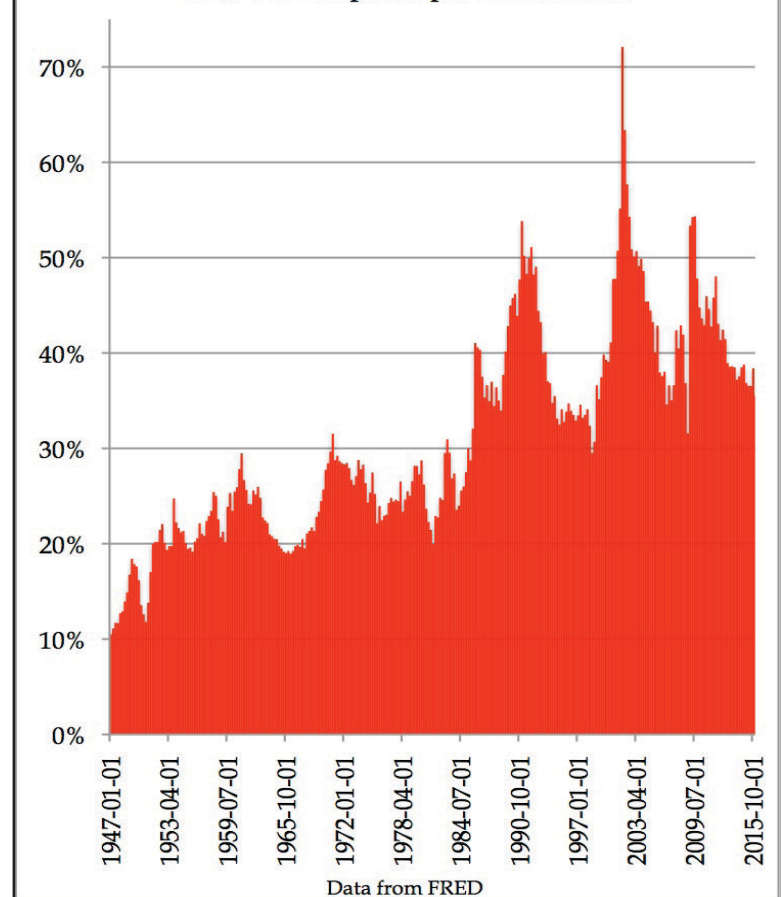
When we had the emergency commercial I had used up two minutes and 46 seconds of my allotted seven minutes. I asked Maria, "Are we going to continue?"

She said, "No, no, no, that's it. That's it. Thank you very much. Goodbye." And two men in dark suits came and dragged me off the set.

JPMorgan Chase's corruption is a secret that the major media does not want to expose.

MONEYCHANGER So there's complicity by the

**Financial Corporation Profits, 1947-2015**  
as % of all corporate profits after taxes



government, the executive branch, the justice department, the politicians, and the media, too, and they all keep it covered up. It is astounding to think that the largest bank in the country could be engaged in so many criminal activities, pay \$36 billion in fines and penalties in the last four years, and yet keep on rolling, high, wide, and handsome down the road.

CHAITMAN The thing is, though, Franklin, I could've written this book about Bank of America, Citigroup, Goldman Sachs, or HSBC. They're all in this together. In fact, they all have pled guilty to various crimes.

JPMorgan Chase got off on this one. The other banks all pled guilty to a conspiracy to fix the foreign exchange rates. They'd exchange phone calls every day: "I'm going to fix the price of the yen against the dollar at X at 6:00 PM today." Then the banks would take positions that allowed them to enrich themselves because they knew *in advance* what the price would be.

All of the banks are doing the same thing. We're in a country where the major powers are violating the law *with impunity*. You could be somewhat philosophical about it and not emotional if you didn't ask, "Where is all this money coming from?" They're feeding off everybody else.

MONEYCHANGER Think about the cost of market manipulation to all those innocent people who believed the price was honest.

CHAITMAN Exactly.

**MONEYCHANGER** A market's purpose is to discover what the true price is, how society truly values something. When a market is manipulated, its economic function is derailed. You left out, by the way, JPMorgan's role in manipulating the silver market, but –

CHAITMAN They manipulated the silver market, the gold market. There's no area where they are not conspiring, and after the recent settlement on LIBOR manipulation and foreign exchange rate manipulation, Goldman Sachs came out with a new software program where the e-mails self-destruct.

They are covering themselves for the future, so there can't be evidence that someone from HSBC sends an email, "I'm fixing the yen at such-and-such," and then someone from JPMorgan Chase answers, "I'll do the same thing." They won't have that evidence against themselves anymore.

**MONEYCHANGER** Nice of them to clean up after themselves. What can we do? Surely, by now, you don't expect electing another president would change things. What has to be done to change the situation? America really has become a country that doesn't work anymore.

The judicial system doesn't work. It's a country run by oligarchs for oligarchs, and they've committed a *coup d'état*. They've taken over the government

CHAITMAN They have.

**MONEYCHANGER** What can be done?

CHAITMAN As I've studied all of this and seen how much we have lost the democracy that was our fundamental governing structure, I began thinking that there was no way this was going to end without violence. I was encouraged by the reaction that Bernie Sanders evoked because his primary message was that the banks have to be broken up. It amazed me that he found support for that proposition.

That taught me that there are people in this country who get it. Apparently, a lot of the young people get it, and God bless them because we need a groundswell. It's still a democracy.

There isn't any way – I hope – that the major corporations have figured out that they can manipulate the votes. So it's still one man, one vote. And if people understand what's happened, we can change all of this, and the way we change it is to get rid of everyone in Congress.

There is maybe a handful of people in Congress who have real integrity. Everybody else is simply on the corporate dole, so we need to vote out all of the incumbents with a handful of exceptions, and we need to vote in a president who is going to be his

own man or her own woman.

We certainly don't have the option now with either Trump or Hillary. People think that because Trump is so unpredictable that he'll do the right thing for the people. Unfortunately, when you analyze it, Trump's real estate empire is financed through the five major banks in this country. The likelihood that he's going to take on those banks is zero.

**MONEYCHANGER** I'm glad that you said that because I've been watching in puzzlement. Trump comes from New York, for heaven's sakes, the headquarters' land of the big banks. He's in real estate, which relies on borrowing & big bank financing. There's no way that he will attack what has become the central structure of the country and of his own life.

You list seven reforms in your book, and I'd just like to talk about a couple of those. The first one is, "Bring back Glass-Steagall."<sup>5</sup> The Glass-Steagall Act (1935) was the Depression era legislation that

*"The results is that we have become a country whose government is controlled by a class of superrich oligarchs who pay for legislation that suits their interests."*

separated banks' deposit and investment (speculative) functions. It forbade banks that took deposits and were insured by the taxpayers to speculate with that money. Because they were depository institutions, and they couldn't be involved in speculative, or investment, or securities activities.

In 1999 under the Clinton presidency Glass-Steagall was repealed. It took less than ten years for the system to blow up. Would you favor reinstalling something like Glass-Steagall?

CHAITMAN Sure. Just think about Jamie Dimon and the London Whale. When JPMorgan Chase gambles with depositors' money, if they make money, JPMorgan Chase keeps the money; if they lose money, the honest, hardworking taxpayers have to bail them out. We are insuring Jamie Dimon's gambling. If he wins he profits, and we lose if he doesn't profit. That doesn't make a lot of sense.

Hillary Clinton just can't seem to get anything right. She made the suggestion a couple of weeks ago that if she becomes president, she will have Bill take care of the economy. For heaven's sake! This is the man who repealed Glass-Steagall, which brought about the 2008 global financial collapse. We're going to have *him* do it? Why don't we have

one of my donkeys do it?

**MONEYCHANGER** From 2008, when the world looked over the abyss into a complete financial collapse until today, eight years later, no substantive reforms have been made, and nothing has been done to rein these bankers in. Nothing.

CHAITMAN Dodd-Frank is just a sham. I think it's funny that the Republicans now want to repeal Dodd-Frank. It hasn't done anything to protect the public. In fact, the banks have run rampant.

**MONEYCHANGER** Fundamentally I favor non-government solutions wherever that's possible, but I have to say I don't see how we can allow gigantic fractional reserve banks in the American economy without regulating them. They are so dangerous, as the Founders understood that from Jefferson forward. Even when they are not criminal, they concentrate too much money and power.

CHAITMAN The other problem, of course, is that the regulators don't regulate, in part because the regulators want to secure jobs with the major banks when they finish regulating. We've seen the revolving door at the SEC, which has, in my opinion, made the SEC absolutely useless.

One chapter in my book covers the London Whale, and I relied very heavily on the report that was prepared by the Senate Subcommittee on Investigations. That subcommittee, headed by Carl Levin, analyzed all of the internal e-mails of JPMorgan Chase relating to the London Whale. The emails show that the senior bankers treated the representatives of the Office of the Comptroller of the Currency with absolute disdain. They lied to them. They wouldn't give them information, and the government did nothing about it. That whole process just doesn't work.

**MONEYCHANGER** The inherent failure in regulation is *regulatory capture*. The regulated capture and co-opt the regulators. There's no way around it, but prosecutions that send bankers and regulators to jail would curb it.

CHAITMAN Absolutely.

**MONEYCHANGER** Imagine what would happen to you or me if we got a subpoena from the SEC and said, "I'm not answering that." We'd go straight to jail, but none of these people ever goes to jail.

Another reform you suggested is *independent prosecutors* for these crimes. You start from watching Eric Holder and Obama refuse to prosecute these people, although certainly Obama's

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not the first president to do that. That's been going on far longer than his administration, and the Republicans are just as adept at it. But would an independent prosecutor's office really work?

CHAITMAN I think it's the only shot we have because the Wall Street firms have control of both parties. I think that Obama has been a disaster with respect to his treatment of the banks. But I think that the Republicans would have been just as bad.

The only hope is to find someone with real integrity from an office that has real independence. There's always a chance that the person will be corrupted but under the present system, there's *no* chance that the person won't be corrupted.

MONEYCHANGER You recommended an interesting mechanism for appointing those independent prosecutors. Out of the federal circuit court judges you'd create a panel at random to appoint these prosecutors.

CHAITMAN Then you'd just have to hope that the judges aren't corrupted.

MONEYCHANGER That leaves you with the Latin proverb, *Quis custodiet costodes ipsos?* "Who will guard the guardians themselves?"

You are still involved in litigation regarding the Madoff fraud. Are you suing JP Morgan now?

CHAITMAN I have sued JPMorgan Chase on behalf of the Madoff customers, and I've been singularly unsuccessful. I've filed two lawsuits. The one in New Jersey that was transferred at JPMorgan Chase's request to New York, where it was dismissed. I filed another in federal court in Florida. Again, the district court judge dismissed the case at JPMorgan Chase's request, primarily on the grounds that the allegations that I made were "implausible."

"Implausible?" The allegations were taken *directly* from JPMorgan's own stipulation of facts. JPMorgan Chase not only agreed to those facts with the government, but it also agreed that if it ever denied any of the facts, it could be criminally prosecuted. Nevertheless, in the district court judge's eyes, those allegations were "implausible." It was "implausible" that a major financial institution would allow a Ponzi scheme to be carried out within its own premises.

MONEYCHANGER I'm speechless. You had a stipulation of facts from JPMorgan, and the judge

dismissed your suit? That's just astounding.

CHAITMAN This is what's happening to our court systems. I keep thinking about The Emperor's New Clothes. That's what it is. Everybody wants to believe that JPMorgan Chase is honest, never mind what the facts and the bank's own admissions show.

MONEYCHANGER You summed it all up on Page 136. "This country cannot move forward with integrity until it faces the fact that bankers have criminalized the financial services industry."

CHAITMAN That's right. I found one example particularly unbelievable. JPMorgan Chase came up with a new business plan, with two parts: how much they would charge the credit card customers for the service, which was selling credit-monitoring services, and what they would provide to the customers in exchange for the fee.

The first part of the business plan was easy to

*"This country cannot move forward with integrity until it faces the fact that bankers have criminalized the financial services industry."*

enact. They offered the credit-monitoring services. A lot of people signed up for it, and their credit cards were charged for the fees. That was good because JPMorgan Chase had the income.

However, once they had the income, they figured there was no reason to bother allocating resources to fulfill their promises. They already had the money, so they never did the second part of the business plan. They never even figured out what services they would provide.

MONEYCHANGER [*Laughs*]. I'm sorry. I have to laugh. This is bumbling criminality. It's not even intelligent criminality.

CHAITMAN You have to either laugh or cry. Some brave lawyer filed a lawsuit, and ultimately the truth came out. JPMorgan Chase paid (I think) \$275 million to settle that claim, three years ago. Just last month, HSBC was sued for the same thing.

The HSBC people must've seen this settlement a couple of years ago and thought, "Hey, we never even thought of that. That's a good one." So they did it.

MONEYCHANGER You're still trying to fight JPMorgan?

CHAITMAN I'm 74 years old. I have a passion

for the law. For most of my life, the law was an instrument for social change for the better. I'm living in the dark ages at the moment, but I can't give up the fight. I love this country, and I think that we're fighting for the future of democracy.

MONEYCHANGER Well, I deeply appreciate what you've done, and I deeply appreciate your book because you've made so many things so plain and understandable. Thank you. [End of interview]

(Endnotes)

1 The 2012 London Whale scandal occurred at JPMorgan's Chief Investment Office for transactions through its London branch. Trading Credit Default Swaps the bank's traders managed to lose over \$6.2 billion. Even though the very senior management of JPMorgan Chase knew about the losses long before the truth was disclosed, no senior officer of the bank was prosecuted.

2 Since 1999 Charles Schumer has been the democratic US senator from New York. Preet Bharara served Schumer as staff director and then chief counsel. Schumer recommended to Obama that he appoint Bharara US attorney for the Southern District of New York in August 2009, which Obama did. That left the decision whether to prosecute bankers in the hands of Bharara/Schumer. See pp. 56 & 57. In 2008 donations to Schumer

totalled \$543,240 from Goldman Sachs, \$448,716 from Citigroup, and \$366,500 from JPMorgan Chase. In 2008 JPMorgan Chase personnel donated \$494,204 to the Democratic Senatorial Campaign Committee, which Schumer chaired. Pp. 75 & 76.

3 Data from the Federal Reserve of St. Louis Fred database, 1Q 1947 – 4Q 2015. Calculated by subtracting "Nonfinancial Corporate Business: Profits After Tax (without IVA and CCAdj), Series NFCPATAX at <https://fred.stlouisfed.org/series/NFCPATAX> from "Corporate Profits after Tax, Series CP, <https://fred.stlouisfed.org/series/CP> Financial corporation profits as a percentage of Corporate profits reached its maximum (so far) in 2001 at 72.1%. From 2001 through 2Q 2005 it ranged from 63.4% to 40%. Only since 1Q 2013 has it dipped below 40%.

4 *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Manning*. Docket No. 14-1132, 16 May 2016

5 As I was editing this interview the Website

# TIME TO SWAP GOLD FOR PLATINUM?

A reader called me lately after reading Bob Moriarty's article about swapping gold for platinum. The article is here, <http://bit.ly/2909qXR>

gold rises but platinum falls.

The Gold/Platinum spread is at what Moriarty says is a 116 year high, with gold trading at 1.3x platinum.

Remember that over sold can always gets oversolder before the pendulum swings back. A friend of mine, a very canny and long-experienced trader, looked at that gold/platinum spread a year ago and thought that at \$75.30 (gold trading \$75.30 higher than

Behold what I mean when I say, "Oversold can always get oversolder."

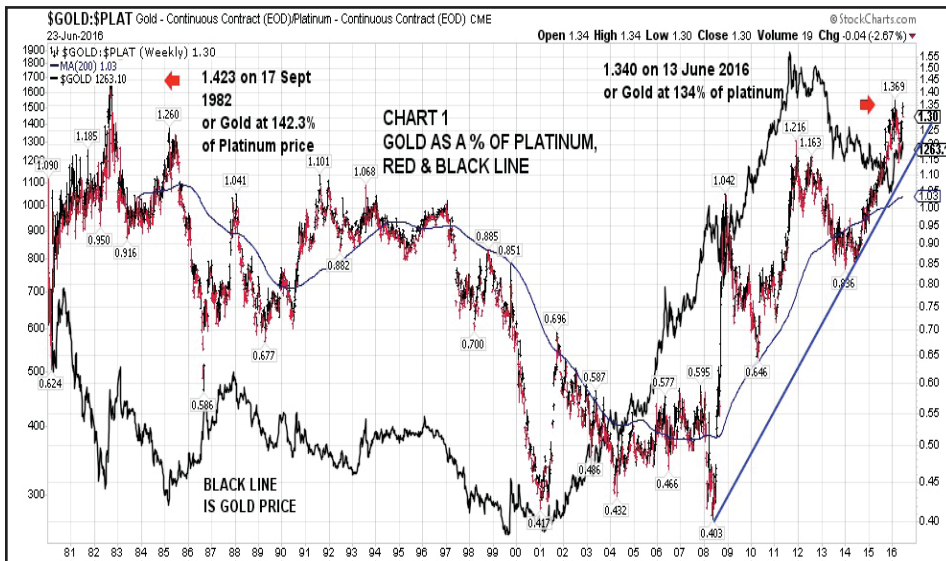
## CHARTS

Chart 1 shows gold as a percentage of Platinum since 1980, superimposed over the gold price. In percentage terms the spread peaked on 17 September 1982 at when gold sold for 142.3% of the platinum price. Lately, at its highest close for the move on 13 June 2016, Gold sold for 134% of platinum. Momentum has turned sharply down since that high.

But how can Mr. Moriarty say the spread is at a 116 year high? Because in absolute dollar terms it is. Look at Chart 2, Gold Price Less Platinum Price in US dollars.

At the platinum high on 5 March 2008 at \$2,276.10, gold closed at \$988.50, a spread of *negative* \$1,287.60. Since that time it has risen relentlessly to that recent high at \$347.90.

A close below the uptrend line ends the eight year trend and promises large

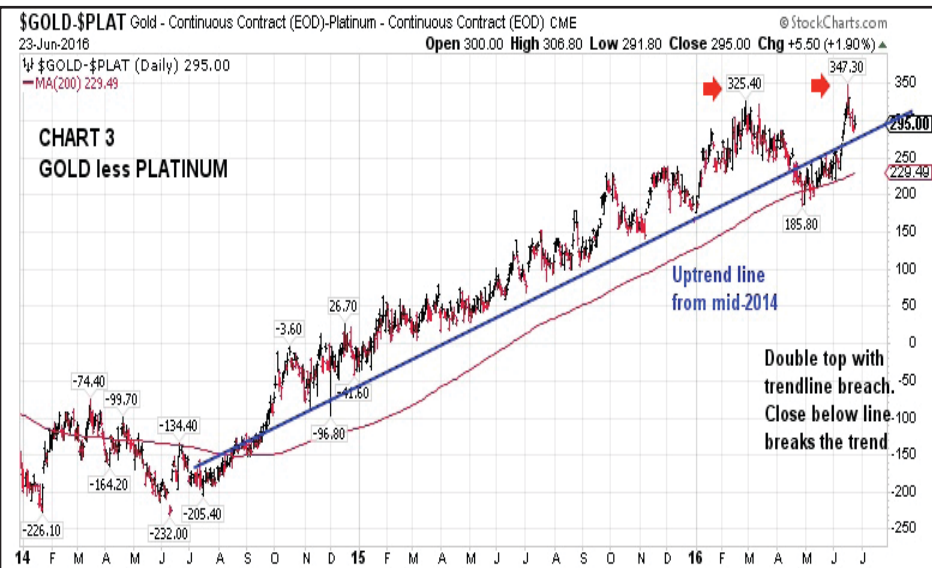


I'm no fan of platinum, but I recognize that I sometimes am conceptually blind. Like palladium, platinum's supply & demand is very quirky. About 75% of platinum comes from southern Africa, & the rest from Russia – both of them potential supply chokeholds. Platinum demand narrowly depends on economic activity, especially automobile production. Makes my head hurt trying to parse it all.

Finally, platinum is not a monetary metal, other than in a few historical flukes & modern day coinage. It's not hard for me to imagine circumstances in which

platinum) it was a sure thing. He sold gold futures and bought platinum futures.

Whoops. The spread climbed past his \$95.30 "get out target", but he held on. It was just too improbable that it would climb much higher. Yet



it did, and by end of September last year, it had climbed \$121.80 from where he sold it, to gold at \$197.10 over platinum. Finally he threw in the towel. Good thing he did, as it went to \$347.30 recently. Yesterday the spread was nearly \$295!

platinum gains against gold.

Now look at Chart 3, GOLD less PLATINUM, the dollar spread since 2014. The spread has already broken the uptrend line in April and May, then rose to make a double top. Any close below that trend line flashes the first signal the trend has changed. Closing below the 200 day moving average (now \$229.50) confirms that.

## EXECUTING THE SWAP

I don't recommend a gigantic position



## CURRENT MARKET PROJECTIONS

# Forest Fire or Flash in the Pan?

Perspective doesn't come easy to any human being. Our thinking is influenced by the last person or the last big event. Right now the airwaves are full of pontificators pontificating about Brexit. No doubt it triggered an avalanche waiting to happen in stocks, currencies, and gold, but will its influence continue? Will the EU break up and the euro be dumped into the currency graveyard along with Hungarian *pengő*? Certainly seems so w, but it would be naïve to sell the globalist Elite short, or their ability to pull rabbits out of central bank hats or politicians' -- mouths.

However, until markets contradict, we have to assume that stocks topped in May 2015 and will sink towards values that, if spoken aloud today, would only elicit scoffing laughter. Nonetheless, that day will come. As the flight to quality speeds up, more money will flee stocks and euros and run into US dollars, gold, & silver.

Don't miss the sea-change in investor demand that has taken place in this financial crisis: *investors are running into both gold and dollars, and not dollars alone*. Eventually gold and silver will push the dollar aside.

### DOW IN GOLD

The downtrend keeps on unrolling. Dow in Gold topped in December when gold made its price lows. That downtrend line has overcome every escape attempt. The Dow in Gold formed a megaphone reversal and then obligingly fell out of it this month. Yesterday's low at 12.911 ounces stands a bare half ounce above the February low at 12.558 ounces. When it falls through that last low, it will accelerate.

What is the target? Now that the 2011-2015 correction has ended, the Dow in Gold will resume its fall toward One ounce (G\$20.67) to two ounces (G\$41.34). In the first wave down from 1999 to 2011, stocks lost above 85% of their value against gold. In this wave down they will lose another 85%, mercilessly.

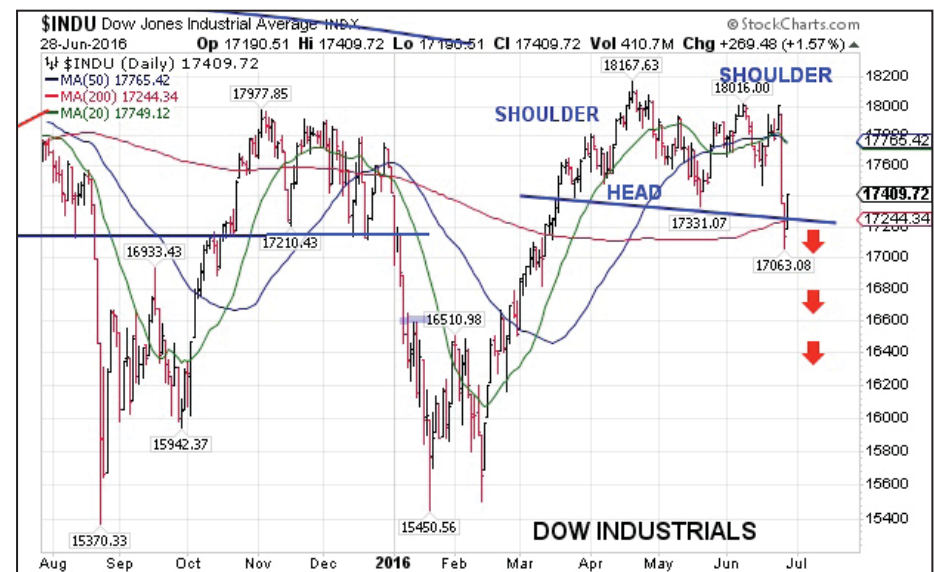
Sell stocks & buy gold and silver.

### STOCKS

In the last three days the Dow chart completed the right shoulder of a head and shoulders top. The Dow crash through the neckline, then broke into its 200 day moving average, confirming the fall by higher trading volume. Yes, it did close above that 200 DMA today, but this is a dead armadillo bounce. this time when it reaches 15,450, it won't turn back up.

How much might the Dow fall? The May 2015 high was 18,312.30. Rule of thumb says a bear market will claw back 50% to 95% of the previous high. A 50% loss would take the Dow to 9,156. If 90% sounds outrageous in your ears, I remind you that during the Great Depression the Dow fell from its all-time 1929 high at 381.17 to a low in 1932 at 41.22, an 89.2% loss. In three years the Dow erased 33 years' gain – and something *greater* than the Great Depression is here.

Evidence of a top keeps piling up. Stock market Margin debt topped in April 2014, and stocks usually peak *after* margin



debt. Dow Transports, Wilshire 5000, Russell 2000, Nasdaq Composite, and Nasdaq 100 all have topped and turned down over the last year or more. Volatility Index has awakened from its lethargy and begun shooting up. High yesterday was 26.72, above a range topped by roughly 17. High in the August 2015 panic was 53.29, so there's lots of room to crash.

Sell stocks & buy gold and silver.





**GOLD**

Completing its move up off the January \$1,071.10 low, gold rose to \$1,306 as May began. It reacted back to an intraday low at \$1,201.50, not coincidentally where it had broken out. Then gold marched right through the blue dashed downtrend line in a new rally leg that reached \$1,318.90, the top of that rising channel line. A shallow bull market correction dragged it to \$1,252 & its 50 day moving average, then Brexit hit. Massive buying took gold to an intraday high at \$1,362.60, but it settled up “only” 4.7% at \$1,320. (US dollar index rose only 2.18% that day.)

’Twas enough to close above the 2015 high close at \$1,302.20. *Wait!* That’s the first time since the 2011 peak that gold has closed lower than the previous year’s close. Not only has gold broken out heavenward on its weekly and monthly charts, now it has closed above last year’s high.

This move has just begun. Gold promises to rise above \$1,400, and \$1,450 is possible.

The rise above \$1,300 has brought out large sellers of physicals. That argues that old bulls are throwing in the towel, selling gold at just the wrong time. It also points to a barrier of selling gold must climb. I notice also that some gold coin premiums are low, which means supply is abundant.

Premiums stand about where they always do. Austrian 100 coronas and Mexican 50 cheaper than American Eagles by \$40 an ounce. Krugerrands are \$20 cheaper. Recently we have sold a ton of US \$5 gold commemoratives (0.2418 troy ounce). These are not collector’s coins, but are minted by the US mint, in proof, uncirculated condition, and we

have been able to sell them for \$45.50 an ounce over spot, about a 3.5% premium. That is a ridiculously cheap buy in an American fractional gold coin, but we’ve just about run out of supply. However, we can get US\$10 commemoratives at 0.48375 ounce.

**SILVER**

“Moneychanger, if gold is so strong why hasn’t silver reached new highs? Isn’t that a non-confirmation?”

see **CURRENT MARKET** on page 14

**BULLION PRICE UPDATE**

AftMkt	Tuesday	28-Jun-16				DiG\$
Gold:	1,312.00	DJIA	17,409.72	269.48	\$274.31	
Silver:	17.800	S&P	2,036.09	35.55		
Ratio:	73.71	DJIA/GOLD:	13.27	oz.		
Plat	978.90	FINE	WHOLE-	WHOLE-	PREMIUM	
Palladm	572.25	METAL	SALE	SALE	OVER	
DJIA/Ag:	978	CONTENT	BUY	SELL	CONTENT	
AUSTRIA 100 cor.	0.9802	1,279.50	1,288.50	0.2%		
20 corona	0.1958	255.60	258.60	0.7%		
4 ducat	0.4438	579.35	585.85	0.6%		
1 ducat	0.1106	144.40	147.30	1.5%		
BRITAIN sov'rn	0.2354	311.15	324.15	5.0%		
CANADA Mpl Leaf	1	1,322.00	1,336.00	1.8%		
1/10 ML	0.1	139.05	143.00	9.0%		
FRANCE 20 francs	0.1867	246.80	250.80	2.4%		
SWITZ 20 francs	0.1867	246.80	250.80	2.4%		
MEXICO 50 peso	1.2057	1,573.75	1,584.75	0.2%		
20 peso	0.4823	625.80	635.80	0.5%		
10 peso	0.2411	312.85	318.30	0.6%		
5 peso	0.1206	156.50	162.80	2.9%		
2.5 peso	0.0603	78.86	81.50	3.0%		
2 peso	0.0482	63.95	65.70	3.9%		
S.AFRICA K'rand	1	1,318.50	1,328.50	1.3%		
1/2 Krugerrand	0.5	669.10	675.70	3.0%		
1/4 Krugerrand	0.25	328.00	337.85	3.0%		
1/10 Krugerrand	0.1	131.20	137.75	5.0%		
Two Rand	0.2354	305.75	312.85	1.3%		
USA \$20 gold pieces, pre-1935:						
St. Gaudens MS62	0.9675	1,360.00	1,400.00	10.3%		
Liberty MS62	0.9675	1,375.00	1,425.00	12.3%		
St. Gaudens MS61	0.9675	1,350.00	1,395.00	9.9%		
Liberty MS61	0.9675	1,380.00	1,415.00	11.5%		
rawSt. G. MS60	0.9675	1,345.00	1,390.00	9.5%		
rawLib. MS60	0.9675	1,345.00	1,390.00	9.5%		
St. G XF	0.9675	1,330.00	1,380.00	8.7%		
Liberty XF	0.9675	1,320.00	1,370.00	7.9%		
USA Buffalo	1	1,322	1,364	4.0%		
USA American Eagle, post-1985:						
Amer. Eagle	1	1,350.00	1,372.00	4.6%		
1/2 Amer. Eagle	0.5	668.60	692.10	5.5%		
1/4 Amer. Eagle	0.25	337.60	352.60	7.5%		
1/10 Amer. Eagle	0.1	136.35	143.65	9.5%		
GOLD BULLION	1	1,316.50	1,324.00	0.9%		

	FINE METAL CONTENT	WHOLE-SALE BUY	WHOLE-SALE SELL	PREMIUM OVER CONTENT
PLATINUM Engelhard	1	989	1,034	5.6%
Noble	1	994	1,024	4.6%
Koala	1	989	1,034	5.6%
Maple Leaf	1	1,019	1,044	6.6%
Amer. Eagle	1	1,059	1,159	18.4%
*****				
SILVER, US COIN:				
10% coin, \$1000bag	715	12,906	13,191	3.6%
0% 1/2s, \$1000bag	295	5,133	5,295	0.8%
ollars, \$1000 bag	765	26,500	28,500	109.3%
silver Am.Eg.	1	19.55	20.55	15.4%
SILVER BARS & COINS, .999 FINE:				
engelhard/plastic	100	1,805	1,830	2.8%
iscellaneous	100	1,755	1,815	2.0%
g. or JM	10	179.50	184.50	3.7%
.sc. rounds	1	17.90	18.36	3.1%
n. Maple Leaf	1	19.10	19.45	9.3%
*****				
<b>EASE READ THIS FIRST!</b>				
<b>All prices are wholesale. Add 3.5%-2.5% commission plus shipping when applicable.</b>				
Not all the gold coins listed are always available, e.g., Austrians, fractional Krugerrands, Mexicans.				
Fractional gold Maple Leaves are available & priced as American Eagle fractionals.				
Small quantities subject to surcharge.				
*20% MS.61 or better are PCGSorNGC (our choice)				

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## Dear Readers,

I knew my peach trees were overloaded. Look at the picture, with the peaches hanging like clusters of grapes. In some places where six blooms had set together, six peaches jammed up together. My friend Jim Smith took a look and said, "They're so thick they'll never make anything bigger than little knots.. You need to take off three-fourths of them."

Morning of 6 June dawned unseasonably cool, about 70 degrees, unheard of for June in Tennessee. I had to thin excess peaches off trees. They were about the diameter of a half dollar, and I immediately landed in a wrestling match with Greed. "Wait, if I take off all those I won't have any peaches. Yeah, but Jim Smith says you won't have any if you leave 'em all on, so the more you drop the better off you are."

I plucked, snipped, and struggled, remembering that in an hour my secret weapon would arrive: *Justin*. The man simply has an *eye* for things. He can look a cow and judge it from a quarter mile. Same for sheep or horses. From behind the rears of two horses he can look up between 'em and spot a tangled line. He sees as I cannot. However many peachlets I snipped, he would come along later and snip more, to exactly the right amount.

I felt better. I couldn't lose.

In 15 minutes I was enjoying myself like I had a new puppy, when I met a friend on the branch: a three inch long pale green tree frog with a purplish belly. My pruning never bothered him at all, & I sort of enjoyed having him for company.

Then Justin showed up and sure enough, he took off twice peaches as many as I had.



The way we pruned this winter was a *great idea*. We cut off *all* the upstanding branches and tried to shape the tree into an upside-down bowl, about eight feet at the highest. The branches now hang over and a six-foot man can reach them all from the ground without stretching much.

We finished the first and moved to second tree, a different variety with fewer and larger peaches. However, they still needed culling. JR and I had worked about two-thirds of the way around the tree and I kept hearing a bird chittering and fussing. I couldn't figure out why until I pulled back some leaves and saw it: nest full of chicks. I think they are orioles. Now here's is Justin:

### MAY'S MENAGERIE

Would you look at that picture! Simply the cutest baby (that is not mine) was born just last week to Top of the World Farm's own Zachariah and Victoria.

Come on, folks! Look at that chin! Zach is our family's youngest, but certainly not the last. A trailblazer since day one, he's taught us everything we know about



chicken transmogrification, internal combustion engines, and swearing in local dialects. His wife, Victoria, bravely left her home planet of "Washington State" and jumped into life on the farm three and a half years ago.

And, to the surprise of none, they decided to name this wonderful boy of theirs Arthur Miles.

Arthur and his mom are both well. This week alone he's taught her to sleep on her feet, say *awww* in every other sentence and stare really, really well.

### SWEET, SWEET REVENGE

It is with zero compunction that I pen this next bit. As some of you already know, I am a staunch supporter of the popular movement to deport all goats. Where? I don't know - just away. If we can send a monkey to the moon, we can certainly deport goats to Pluto, or at least Saturn.

"Why?" you ask.

Count with me, please, dear reader, plant after plant I hopefully purchased, carefully transported, then lovingly tamped into new ground, watered, and gently whispered sweet nothings to. The dreams of flowers, of fruit...

Gone! Without so much as a burp to say thank you - Gone! The next morning, or worse yet, the next week or - after labouriously tending them - the next month - Gone!

That's a goat.

And the *smell*. You can't wash it off. If a billy goat is 'in rut' (a disgusting turn of phrase, if you ask me) and you touch him or anything he's touched, you *cannot* get the smell off.

Case in point:

Years ago, in our mis-spent (and delusional) farm adolescence we raised goats. A misguided, but kind, friend brought us a billy goat - in rut. The goat wormed his way here in a homemade, plywood box tethered into the back of a pickup. When said goat and (former) friend arrived, this fellow removed the back wall of the box and leaned it against a gate in our barn. He *leaned* it there - not rubbed it - leaned it. That plywood might have sat there for 30 minutes - maybe.

### A YEAR LATER

The gate still stank. Stink, stank, was bestunken with *eau de goat in rut* for a full year!

# THE TRIGGER HAS BEEN PULLED. IS IT THE NEXT 2008?

*The British have violated the rules. It is not the EU philosophy that the crowd can decide its fate.*

– European Parliament member Martin Schultz, 27 June 2016

A trigger is not a cause. Britain's vote to leave the European Union triggered an avalanche of fear, but it didn't cause it. Rotten banks, and overvalued stock markets, bloated on QE, tyrannical EU bureaucracy were already there, along with incompetent central banks worldwide.

Globalization is wobbling. Since World War II and before, the world's Elite has been aiming at what they like to call "global governance." In other words, one world with them in control politically and economically. The EU made up a lot of bricks in that edifice, and now little Britain has pulled out its brick and threatened the whole building.

## THE REALLY LONG CYCLE

In 1989 Francis Fukuyama published an essay, "The End of History," in the elitist journal, *The National Interest*. He expanded on that essay in a 1992 book, *The End of History & the Last Man*, in which he wrote,

[SUSAN: INDENT, PLEASE!] *What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government.*

It would be too easy for me to poke holes in this pomposity and ridicule it, so I will leave you to ponder alone the provincial, time-bound arrogance of arguing that Western liberal democracy is the endpoint of human social development and the final form of civil government. "We is the best & ultimate!"

But about that same time something did happen that signaled, if not the end of history, at least the end of a very long cycle in human affairs, the shift from *centralization to decentralization*.

## FROM KING TO JURIDICAL ENTITY, PERSONAL TO IMPERSONAL

Beginning about 1600 European nation states began to coalesce. In the next two centuries government founded on a *person* was replaced by a *corporate state*. Where once to be a Frenchman meant one swore fealty to a person, the French king, after the Revolution the civil government was no longer a person, mortal and changing, but corporation, immortal and perpetual. In the path of the corporate state, nationalities and identities no longer mattered: all were subsumed into the corporate entity.

A 350–400 year period of centralization unrolled in which power flowed *away from* localities and *toward* a center. Empires gobbled up empires until only two were left standing, the US and the USSR. When the USSR broke apart in 1991, only one empire was left standing, the United States.

Observe: when all the power has been centralized into one global empire, the peak has come, the end of centralization and beginning of *decentralization*. Although admittedly the US empire with all its power has not dissolved, yet the peak has come and passed. Over the next 300–400 years, power will flow *away from* centers and toward localities and individuals. It won't be fast, but it is happening. It means, of course, that the globalizing Elite now finds itself on the wrong side of history, trying to push back a tidal wave of decentralization toward a crumbling center.

## A TRIGGER, NOT A CAUSE

The United Kingdom voting to leave the European Union is a trigger, not a cause. Brexit's underlying cause is centralization, not the least *economic & financial* centralization. Once the British successfully leave the EU – and make no

mistake, the elite will pull all sorts of tricks to defeat their democratic will – others, like the French, will find that EU yoke too galling to suffer any longer. A revulsion of the public has begun. It remains to be seen whether the urge to vote out the current crop of politicians and vote against corporate political stranglehold will spread to America and put the populist Donald Trump in power, but the tide appears to be flowing this way.

## POLITICAL DISINTEGRATION

The Elite's globalizing project for Europe began in 1951 with the European Coal & Steel Community that included Belgium, France, West Germany, Italy, the Netherlands, & Luxembourg. It neared its culmination when the euro currency was introduced in 1999, the last step to complete political integration. Whoops. Little Britain just put a big spike in those spokes.<sup>1</sup>

But Brexit is not the only sign of faltering globalization. World central banks added \$20 trillion dollars to their balance sheets from 1995 to 2015, nearly quintupling them. This massive inflation seduced the global economy into massive overbuilding and malinvestment, and now the corpses are surfacing. Since 2008 this overcapacity has put massive deflationary pressure on commodity prices, while falling incomes and over-indebtedness have cut consumer spending.

Global trade also ain't so hot. Three month world trade volume growth through March this year has turned negative against the three months before. Last year imports and exports dropped more than at any time since 2009. Their 3% growth rate from 2009–2016 was *half* of what it was fifth years before. 2016 will be the fifth subpar year in a row. The current rate of trade growth is also below the 4.2% average of the past 200 years. Foreign direct investment growth, at two percent of world output, is at its lowest since the 1990s.<sup>2</sup>

## THE ELITISTS STRIKE BACK

You don't need extrasensory perception to forecast the Elite's reaction. First, they will counterattack politically. Funny how so many folks who drool about "democracy" shift into hyperdrive to defeat any "democratic will" that runs against their plans. The Brexit vote wasn't cold before news surfaced that a million folks

# BANKQUAKE: CONFIDENCE SHIFTS FROM BANKS TO GOLD

*But if you want to continue to be slaves of the banks and pay the cost of your own slavery, then let bankers continue to create money and control credit.*

-- **Josiah Stamp**, 1880 - 1941, Bank of England director

*The issue which has swept down the centuries and which will have to be fought sooner or later is the people versus the banks.*

-- **Lord Acton**, 1834-1902

Since the US federal reserve system spawned by congress in 2013, banks and central banks have been running the world's economy – and not very well. 100 years later, we are watching that system fall apart. Like an earthquake, public confidence is fleeing banks for gold. It shows in the prices.

## EUROPE

Brexit day and Black Monday following, 24 & 27 June, saw European bank stocks *slaughtered*. In another article in this issue, "The Trigger Has Been Pulled" I discuss the European Central Bank's (ECB) invisible, or at least well-blackened out, bank bailout amounting to US\$344 billion – bigger than TARP in 2008. Already. And the earth has barely begun to shake.

Look at the table from wolfstreet.com, "The 2-Day European Bank Massacre." Two day stock price losses ranged from 16.5% to 32%. The only escapee was HSBC bank with a 3.6% loss, no doubt because of its huge presence in Asia. These are

the *big* banks, and they are all dead men walking.

As of 28 June 2016 the Euro STOXX Banks index comprising 30 big banks, all the really nasty ones, had lost 45.9% in the last twelve months, 36.6% in 2016, and 17.4% in the last week. It peaked in April 2015.

We are looking for that shift in confidence from financial markets to gold, and that's what the charts show. Look:

## GOLD IN EUROS

Chart 2 (page 13) shows "GOLD IN EUROS." Gold broke out of its post 2013 downtrend against the euro in January of this year. Broke out, touched back to the breakout line for a final kiss good-bye, then for confirmation advanced above the last high. *Conclusion?* Gold has turned up against the Euro.

On balance, people are converting euros to gold – that's what drives a price higher. Since central banks always react to financial crisis by printing more money and cutting interest rates (already negative), further dislocating the economy, we can count on the ECB to keep the panic building and the rally running.

*Do not miss this implication: the euro will break down and disappear, and most likely take the European Union with it. Do not bet on the euro surviving.*

## GOLD IN BRITISH POUNDS

In Chart 3, "GOLD IN BRITISH POUNDS,"(page 13) you'll find denominated in British pounds. It looks about like the Gold in Euros chart: downtrend from 2011 that bottomed in December 2011, broke out to the upside in February, kissed back and then took off upside for confirmation. Not much argues against this chart as the beginning of a many-year rally, unless it fell back below that downtrend line.

## GOLD vs. EUROPEAN STOCKS

Look at Chart 4,(page 13) "GOLD/ Euro STOXX600." The Stoxx600 is not an index of financial companies alone, but it is loaded with them, so this gives us an approximate picture of gold vs. European banks.

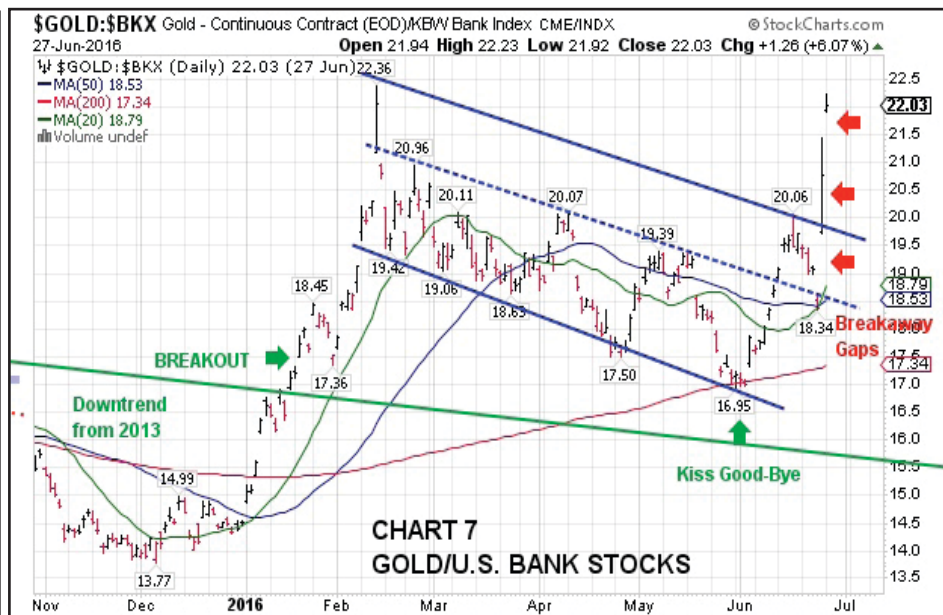
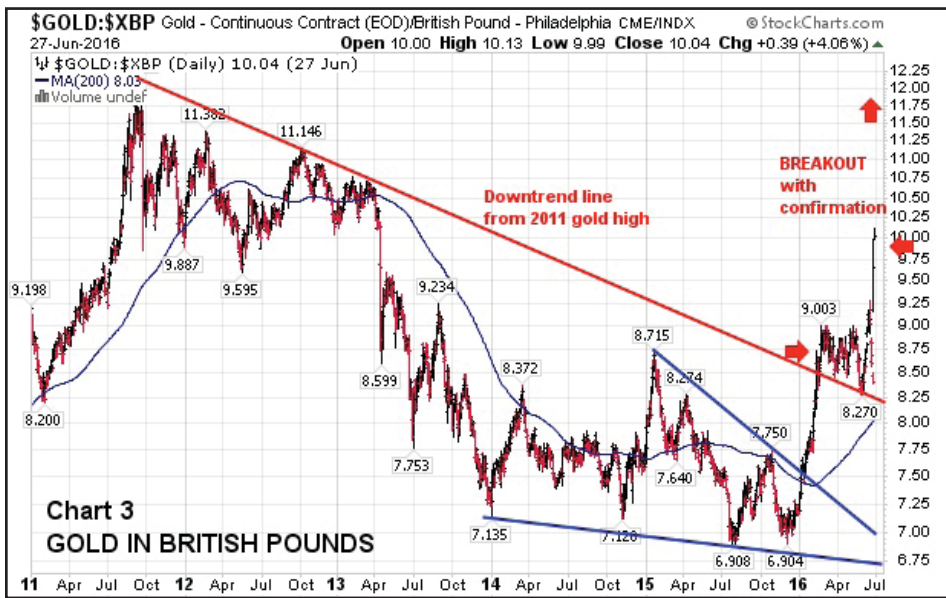
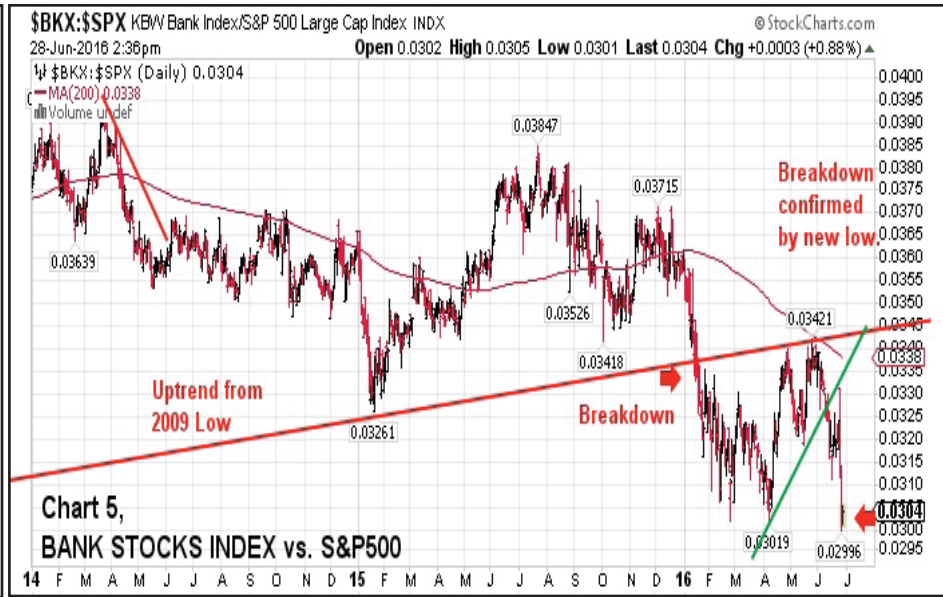
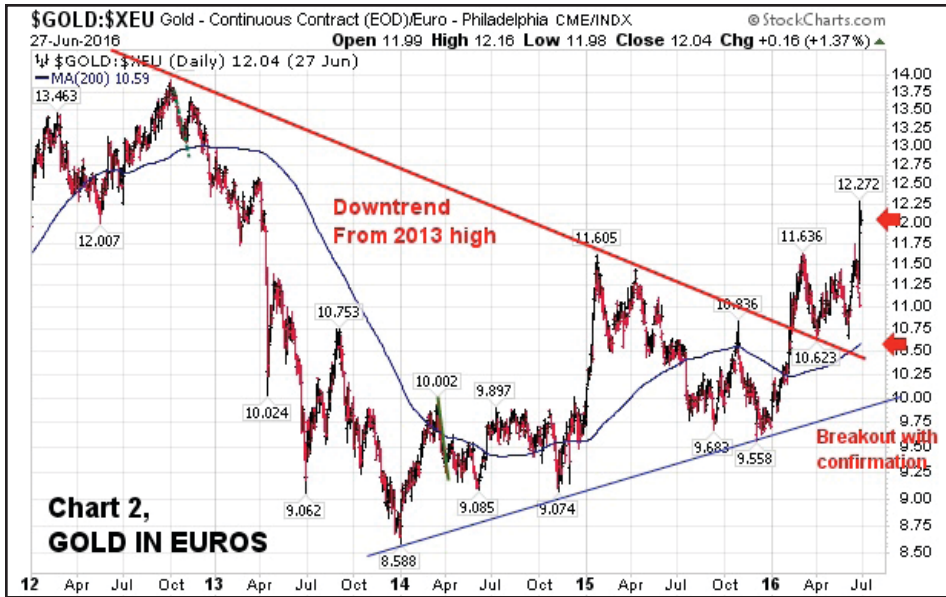
Gold had been losing value against Stoxx600 since the August 2011 European financial crisis (Red line). The spread made a double bottom in 2015, then in January broke skyward energetically and zealously. It punched

## The 2-Day European Bank Massacre

As of June 27, 2016

WOLFSTREET.com

	Stock Price	Plunges	
	Monday	Monday	2-day
<b>UK Banks, in £p</b>			
Barclays	127.20	-17.3%	-32.0%
Royal Bank of Scotland	174.30	-15.1%	-30.4%
Lloyds Banking Group	51.15	-10.3%	-29.1%
HSBC	438.00	-2.2%	-3.6%
<b>German Banks in €</b>			
Deutsche Bank	12.58	-5.1%	-20.2%
Commerzbank	5.94	-4.2%	-16.5%
<b>Swiss Banks in CHF</b>			
UBS	12.50	-8.1%	-18.4%
Credit Suisse	10.21	-9.2%	-21.8%
<b>French Banks in €</b>			
BNP Paribas	36.91	-6.3%	-22.6%
Credit Agricole	7.19	-6.0%	-19.2%
Societe Generale	26.39	-8.4%	-27.2%
<b>Italian Banks in €</b>			
UniCredit	1.91	-8.2%	-29.8%
Intesa Sanpaolo	1.55	-10.9%	-31.4%
Banca Monte dei Paschi di Siena	0.39	-14.5%	-27.1%
<b>Spanish Banks in €</b>			
Banco Santander	3.30	-2.4%	-21.8%
BBVA	4.76	-1.7%	-17.6%
CaixaBank	1.89	-1.6%	-33.7%
<b>European Banking Index</b>			
Stoxx 600 banking	119.14	-7.6%	-21.1%



through the green channel line from 2014 and only stopped at the 2014 high.

GOLD/Euro STOXX600 then traded back to the breakout line, and lately has confirmed its break out by breakaway gaps

and closing over the 2014 high. MESSAGE: for a long time, gold will be gaining value against Euro STOXX600. Confidence is

See **BANKQUAKE** on page 14

**BANKQUAKE** from page 13

draining out of stocks into gold.

**WHAT ABOUT THE UNITED STATES?**

Bubbles and panics are famously known to propagate internationally. Has the banking sickness been quarantined in Europe?

Not likely.

**US BANKS vs. S&P500**

The Philadelphia Bank Stock Index has been underperforming the S&P500 since 2016 began. Look at Chart 5, (page 13) "BANK STOCKS INDEX vs. S&P500."

From 2009 through 2015 Bank Stocks traded sideways against the S&P500, but in January they broke down and rapidly fell behind the S&P500. The \$BKX:\$SPX spread traded back up to the breakdown line in May, formed a rising wedge, then fell out of that rising wedge in June. Lately the spread has broken to a new low, lower than April's. No doubt, then, that bank stocks are in greater peril of deep-sixing than stocks in general.

**US BANK STOCKS**

Throw your eyes on Chart 6, (page 13) "US BANK STOCKS INDEX." Bank stocks were laboring to stay afloat all through 2015, but they sank as soon as 2016 opened. Yes, from the February low they rallied back up in a rising edge to kiss the downtrend line good-bye one last time. Further and final confirmation comes when BKX breaks below the February low at 55.99. Given the existing downtrend, you can expect that lower low shortly.

**GOLD vs. US BANK STOCKS**

Glance at Chart 7, (page 13) "GOLD/US BANK STOCKS." This spread divides the gold price by the Bank Stock Index. When it falls, gold is losing against bank stocks. When it rises, gold is gaining against bank stocks and confidence is leaving the financial sector and flowing into gold.

Mercy, how much proof can you ask? Gold/BKX punctured its downtrend line in January, screamed to a February high, then traded back to kiss the breakout line. Lately it has painted breakaway gaps and escaped the existing channel.

Gold's downtrend against Bank Stocks has turned up.

**BOTTOM LINE**

For six months my working assumption has been that gold's long correction bottomed in December 2015. That would call for a revulsion against banks and toward gold, and so the charts show. Indeed, it looks as if a panic out of banks might be starting. Similarly, the Dow in Gold has also turned down, so gold has also turned up against stocks in general.

Bear in mind that markets saw up and down. After huge drops comes some sort of rally, even if it only bounces like a dead armadillo. So we can expect to see some countertrend moves. And of course central banks will be cranking every way possible to keep stocks and banks afloat, although all their vain efforts will have no success.

We need to keep our eyes on the long term. The slide in stocks has only just begun. If you have stocks – gold & silver mining stocks excepted – you still have time to sell them and put the proceeds into gold and silver.

If that sounds outlandish to you, just extend in your mind the charts above, out two or three years. That will make the decision easier

-- *F. Sanders*

**CURRENT MARKET** from page 9

Gold right now is mostly driven by financial panic, and gold profits more than silver from that kind of demand. Silver will catch up soon enough.

Silver is following gold's track. It rose up off the January \$13.73 low, blasted through \$16.00 resistance and shot for \$18.00. The following correction silver slid back to \$15.83 on 1 June. But then it smashed that downtrend line and made a new intraday high on Brexit Friday.

This rally should reach \$20 or a little higher.

Yes, I do know that it is summertime, siesta time for silver & gold, but don't fight this market. Metals are resolved to rise, and they don't know summer from a Poland China hog.

Premium on US 90% silver coin has fallen to 65¢ an ounce, down from \$5.00 an ounce last August. Aren't y'all glad you traded your 90% coin for 20% more (free) silver? That high premium last summer and fall also confirms a silver bottom, as it typically arises at lows.

Now US 90% is only 15¢ higher than one ounce silver rounds, so it's time to start buying it again.

**US DOLLAR INDEX**

Brexit Friday performed a spinal transplant on the US dollar index. All that scared money looking for a place to hide found the dollar, and the dollar index shot up 2.18%, a huge one-day move for a currency. Dollar broke through 95.50 resistance and tapped on its 200 DMA. It will rise at least to 100, and this time, driven by failing stock markets and more money looking for safe haven in bonds and dollars. Look for it to break through 100 and run for 110.

The sea change in today's markets is that flight money is seeking gold as well as dollars, and that preference will keep growing. Don't forget that.

-- *F. Sanders*

**DEAR READERS** from page 10

That's a goat.

Therefore you can only imagine my joyful giggles when, perusing the glove section in my local co-op last week, I spied the above gloves.

Goats, it appears you have finally ascended the pinnacle of Mount Destiny. For *this*, I thank you.

Y'all enjoy your summer,

*Franklin*

**TRIGGER** from page 11

against Brexit had signed an online petition calling for another referendum. Whoops. Turns out more than half the signatures were bogus, or originated outside the UK. Next expect a “discovery” that there were “irregularities” in the election, or an end run to defeat Brexit in parliament. Proof that the EU is anti-democratic is found in European Parliament member Martin Schultz on 27 June 2016.

**THE ECB’S INVISIBLE BAILOUT**

A more serious counterattack was sure to come from the central banks trying to shore up collapsing stocks. However, the sheer scale of what the European Central Bank (ECB) did on Friday surpasses all gall, even for a central bank.

Wolfstreet.com, in an article called “ECB Blows €400 billion on ‘Brexit Black Friday’ Bank Bailouts,” reports that on 24 June 2015 the ECB, on its on hook and without any legislative authority, bailed out European banks to the tune of €399.3 billion (US\$444 billion). See <http://wolfstreet.com/2016/06/26/ecb-spends-400-billion-on-brexit-black-friday-bank-bailout/>

Put that into perspective: In 2008 the US congress approved TARP, (Troubled Asset Relief Program), a \$700 billion bank bailout. However the Treasury eventually paid out only \$432 billion.

Apparently the ECB used the Brexit chaos as cover to bail out busted European banks, loaded with non-performing loans and soon to be non-performing sovereign debt. Markets were already suspicious enough on Friday, and sent major European and British banks down from 14% to 20.5%. The STOXX 600 European financial stock index, which includes the biggest banks, sank 14.5%, down 29% year to date. The further south you go, the worse the banks, and it showed in their stock markets’ performance. The German DAX plunged 7%, France’s CAC 40 more than 8%, Spain’s IBEX 35 fell 12.3% and the Italian FTSE MIB 12.5%, the latter two’s worst days on record.

Shares of individual bad-loan-bloated banks fell through a manhole: Italy’s biggest bank, Unicredit, lost 23% (down 59% since January) and Banco Popolare lost 23% (down over 80% this year). In Spain Bankia lost 20%, as did Santander and Sabadel.

Meanwhile, using Brexit as a cover for the bank bail out, ECB is covering up a financial crisis.

Y o u might think Wolf Richter simply made this up. I wondered that myself until I went to the ECB’s website at <http://www.ecb.europa.eu/mopo/implement/omo/html/20160065.en.html> where you can view the ECB’s own documentation of its Long-Term Refinancing Operation (LTRO) that plainly shows the ECB offering banks (until Wednesday, 29 June) *free* money at *zero interest* that doesn’t have to be repaid until June 24, 2020, *four years*.

The gall leaves me gasping. Truly, the ECB is a criminal organization and the banks are *the mafiosi* in charge. The ECB estimates that the 129 banks it regulates have €900 billion (US\$1 trillion) of bad loans, 7.1% of all Eurozone bank loans. (Same figure in the US is about 3%).

I have to wonder, Can the ECB that bullet back into the barrel after the trigger has been pulled? Nobody ever saw that done before.

Me, I’m betting on the bullet.  
-- *F. Sanders*

(Endnotes)

- Here’s an irony y’all will appreciate. Go see Alan Greenspan’s comments on Brexit at <http://www.cnbc.com>

see **TRIGGER** on page 16

**LISTEN TO THE FAT LADY SING**

	4-Jan-00	28-Jun-16	% chg frm 1/00	All-Time High	All-time High Date	% change From High	LAST LOW DATE	LAST LOW close	LAST HIGH close	LAST HI DATE
DJIA	10,997.93	<b>17,409.72</b>	58.30%	18,312.39	2-Mar-15	-4.93%	24-Aug-15	15,666.44	18,312.39	19-May-15
DUA	278.51	<b>699.45</b>	151.14%	671.04	1-Apr-16	4.23%	11-Dec-15	551.13	671.04	1-Apr-16
DTA	2,862.17	<b>7,252.63</b>	153.40%	9,217.44	29-Dec-14	-21.32%	20-Jan-16	6,625.53	9,217.44	29-Dec-14
S&P500	1,471.21	<b>2,036.09</b>	38.40%	2,130.82	24-Feb-15	-4.45%	20-Jan-16	1,859.37	2,130.82	21-May-15
NasdaqComp	3,901.69	<b>4,691.87</b>	20.25%	5,092.09	24-Apr-15	-7.86%	25-Aug-16	4506.49	5,218.86	20-Jul-15
Nasdaq100	3,755.74	<b>4,290.47</b>	14.24%	4,717.75	4-Nov-15	-9.06%	25-Aug-16	4016.32	4,717.75	4-Nov-15
US\$ Index	100.41	<b>96.18</b>	-4.21%	121.02	2-Jul-01	-20.53%	24-Aug-16	93.36	100.04	16-Mar-15
DiSoz	2,061.47	<b>975.72</b>	-52.67%	2,566.04	7-Jun-01	-61.98%	14-Oct-15	1,049.92	1,278.47	17-Dec-15
Dow/GoldOz	38.903	<b>13.239</b>	-65.97%	925.42	25-Aug-99	-98.57%	25-Aug-16	13.74	16.85	2-Dec-16
Gold	282.70	<b>1,315.00</b>	365.16%	1,888.70	22-Aug-11	-30.38%	2-Dec-15	1,054.20	1,888.70	22-Aug-11
Silver	5.340	<b>17.843</b>	234.14%	48.584	29-Apr-11	-63.27%	14-Dec-15	13.666	48.584	29-Apr-11
<b>Gold/Silver</b>	52.94	<b>73.698</b>	39.21%	84.330	17-Oct-08	-12.61%	10-Aug-15	72.222	83.506	1-Mar-16
Platinum	413.70	<b>978.90</b>	136.62%	2,167.80	21-Feb-08	-54.84%	21-Jan-16	818.10	2,167.80	21-Feb-08
Palladium	441.90	<b>572.25</b>	29.50%	1,082.80	5-Feb-01	-47.15%	12-Jan-16	470.35	913.00	2-Sep-14
<b>Bold face items in "Latest Low" and "Latest High" are new from last month.</b>							Last major low in Gold/Silver ratio occurred 30 April 2011 at 32.000.			
"Latest" high or low means "last significant," not the very last in time.										
"Dow/GoldOz" is the DJIA exprest in gold ounces. DiSoz is the DJIA valued in silver oz.										

**HELEN CHAITMAN** from page 6

“Wall Street on Parade” published, “Neel Kashkari: The Shadow Over Janet Yellen’s Head as She Testifies to Congress.” <http://wallstreetonparade.com/2016/06/neel-kashkari-the-shadow-over-janet-yellens-head-as-she-testifies-to-congress/>

Neel Kashkari worked for Goldman Sachs from 2002-2006. When George Bush appointed Goldman Sachs’ Hank Paulson Secretary of the Treasury, he brought Kashkari to Washington with him, and became Paulson’s ax man during the 2008 Crisis. Eventually he was made Troubled Asset Relief Program (TARP) administrator to bail out the banks and (y’all will love this) Assistant Secretary of the Treasury for *Financial Stability*. In 2016 he was appointed CEO of the Minneapolis Federal Reserve. (Notice how these fat government jobs pile up and seek the favored ones?) Lately Kashkari is running around the country stealing Janet Yellen’s thunder. Yellen has a plan to shore up big bank capital with convertible debt called TLAC. Kashkari opposes her plan but insists the big banks must be reformed. Good enough, but at the bottom line he does *not* support restoring the Glass-Steagall Act. That one item tells all.

**SWAP** from page 7

in platinum, but if you’re a gambler it makes sense to take 10% or so of your gold and swap it for platinum. Here’s how to narrow your transaction costs.

*First*, sell the highest premium gold you have, because *over time premium always disappears*. If you use that premium now, you won’t lose it.

*Second*, buy the lowest premium platinum you can get. That’s going to be one ounce (not ten ounce!) platinum bars, 99.95% pure, by a well-known smelter, or maybe Australian platinum Koalas. You will pay *at wholesale* from \$25 to \$50 an ounce premium.

*Third*, The Moneychanger is always the lowest cost alternative for swaps. We only charge commission on the sell side. Whatever you take back comes at our price with no commission.

-- *F. Sanders*

**TRIGGER** from page 15

[com/2016/06/24/alan-greenspan-says-british-break-from-eu-is-just-the-tip-of-the-iceberg.html](http://www.reuters.com/2016/06/24/alan-greenspan-says-british-break-from-eu-is-just-the-tip-of-the-iceberg.html)

Greenspan says it ushers in a “period even worse than the darkest days of October 1987. . . . This is the worst period I recall since I’ve been in public service,” Greenspan said.” Imagine that! Alan Greenspan and I with the same outlook on an event. Makes me mighty nervous

2 Data from “Nervy Global Investors Revisit 1930s Playbook” at [www.reuters.com/article/us-global-economy-investors-analysis-idUSKCN0Z80ES](http://www.reuters.com/article/us-global-economy-investors-analysis-idUSKCN0Z80ES)

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