

The Demons Behind the Debt

The internet and our 24/7 media are full of scary financial data, scary theories, and lots of doomsday prognosticators who perpetually tell us what's wrong with our financial system. Some claim we're going to default, some claim the dollar is done, others point to gold as the answer, and lots of us scratch our heads trying to somehow make sense of what's seemingly gone wrong.

Regardless of your personal view, many of us agree: Something's wrong with our economy. Something's wrong with our financial system. Something's wrong with the way we do business in our America (and the world)...at its CORE.

Now, before you start shooting the messenger (me), let's agree that this is still a free country; and you're entitled to your opinion and your point of view, just like I am. I just don't have blinders on. You see, I don't love America because she is great. America is great because I love her. And since I love my country, I think she's worth protecting...worth saving.

Unfortunately, there are **Trillions that don't feel the same way**. There are Legions that act like America and the world financial markets are a playground; to play with and trash as they see fit. And to these Legions, it doesn't really matter what happens...as long as they get paid and fed. I'm referring to the **Demons behind the Debt**.

As Lehman Brothers was being ravaged in mid-2008, it devised a planned solution to its woes -- entitled 'SPINCO' - that basically involved Spinning its Commercial loans into a separate corporation, with its own stock. Essentially, the reasoning was that its troubled assets would be separated, and left alone until the values recovered. This would relieve Lehman of its troubles, and make it a smaller and leaner bank. Unfortunately, SPINCO couldn't be executed until the first quarter. 2009.

Deleveraging is a bitch; and it's the painful process of borrowing less. But like a fat guy on a treadmill trying to lose 50 pounds, it needs to be done; and it hurts. A fat guy, however, who stays the course, can drop the weight over time and get his health back. Unfortunately, Lehman never had a chance.

To the normal person on the street, it would seem that Lehman's plan made sense. Effectively, they wanted to create their own 'bad bank' and shift all of their non-performing (garbage) assets off their books: liberating them from the burden. Another similar proposal by Lehman was to convert itself into to a bank holding company -- and then be able to collect deposits rather than having to sell bonds. Again. this plan was equally viable. It just didn't have the time. The Demons had been unleashed.

On September 9, 2008. Lehman's stock traded over 400 million shares. Basically, the entire company changed hands in a day; and it's share price lost 45% of its value again,

in one day. If that fact alone doesn't somehow seem to expose the sordid nature of the markets. I don't know what does. I'm not picking on Lehman or traders, or Wall Street Executives It just seems like only the forces of evil alone could cause such carnage by ravaging a company in such a manner.

At the same time, AIG, Fannie Mac, and countless other horror stories where simultaneously unfolding and uncovering a virtual devastated vineyard...a marketplace gone mad. Countless other similar troubles and scenarios have haunted Wall Street for years; while its bottom-line, morally-deprived creed of 'maximize shareholder value...at all costs' provides the fuel - at its Core - that is virtually destroying the world economy...and its people.

But what was really happening...and what is still happening? Well, trying to tell the whole story quickly is like trying to explain the life of Pete Rose without referring to baseball. There is so much interplay, and pre-existing conditions, so many other players, and other-related items...but I'll get to the true demons. Because most of us may still be mentally stuck on why we just can't -- as a country and a people - simply write-down or write-off our debt, start over, and move forward. Why do we have to look at that ticking machine as it keeps running (up) our \$15 trillion dollar debt. The problem is not the debt (although the debt is way too high and a drag on the economy). It's the Demons behind the debt.

All \$614 Trillion (as of 2009) of those damn Demons. Some years ago, when they were considerably less in number, Warren Buffet labeled them 'weapons of mass destruction'. I'm referring to the over the counter (OTC) worldwide Derivative Market. And its much more today, but since it's an UNREGULATED market...nobody really knows for sure how much more.

As we speak, the REAL financial players who make all the vital decisions for the rest of us, are working hard to come up with a plan to contain the contagion of another outbreak in the diseased Derivative markets. It's not a matter of IF it will come, it's just a matter of when, how bad, and how much it will cost. This last one cost us \$14 trillion the total amount of the USA's annual GDP. And that doesn't include all the business lost, the business not booked, and the misery of those who lost everything.

There are 5 Derivative markets that comprise the total \$614 Trillion. In 2007-08, the world felt the devastation from a very small diseased portion of the overall body. The rapid growth in credit derivatives to about \$60 trillion at its peak in 2007, was **fueled by liabilities from a smaller segment of credit default swaps (CDS) on residential mortgage-backed securities** for players like AIG; which threatened to destroy the entire financial system. The virtual collapse of the US housing market triggered widespread weakness in this particular class of credit derivatives...which had initially trumpeted the rapid increase in US mortgage backed securities sales globally.

This lead to the previously unthinkable taxpayer bailouts (\$14 Trillion) of 2007-08. Yet, this plagues us to this day. The Fed -- through its third phase of Quantitative Easing is

still pumping \$40 billion a month in just one form of contagion-solving infusion. Other Fed monthly installment payments move the total to more than \$85 billion a month. The list is seemingly endless.

And the folks who run the financial world are trying to now impose a **super-spreader tax** on those few financial institutions that trade (and prosper with their countless commissions) in the derivative markets. Why? Because **they want to create a giant escrow account of around \$500 billion** to contain the next contagion from the chronically diseased derivative markets in order to rapidly halt the spread of disease before it infects the rest of the derivative markets and us. The last time, they had to come begging to the US taxpayer. It took time there was a run on the banks and the situation got out of control. They now want to have a 'fund' that they can quickly access when the contagion strikes again...in order to mitigate its horrible effects. Or so, that's what they claim to mean to say.

The inter-connectivity of all of these derivative markets -- and the systematic risks they pose to EACH of us on the planet -- is an epidemic, a plague, a proven fact, and a cause for grave concern. Every one of the downturns in the US economy over the past 25 years has been derivative-based. The present scenario can best be described as having your hand on fire...with the rest of your body doused in gasoline. The money-changers want to buy a highly-charged fire extinguisher and super-powered chain-saw (in case the fire extinguisher doesn't work) to control the spread of the fire with their new \$500 billion escrow account.

This inter-connectivity aspect from these derivatives (besides their evil existence in the first place) is THE single most horrible reality these demons pose to us all. A lot of folks who advocated (and still do) that we should have let the Wall Street bankers fail, do not grasp that EVERY financial instrument traded on Wall Street is somehow interwoven, intertwined, and interconnected to these derivative markets. Some more than others.

But even those investment funds that are in seemingly harmless industries with good-performing company stocks comprising their portfolios, are at risk. They become part of the body of big business -- which invests in all sorts of things -- and are the underlying funds that fuel the derivative markets. They use our 401K's, our Pension funds, our Money Market Funds all of Main Street's money -- as the table money to place all of their exponentially higher bets. And lots of folks have amassed unheard of fortunes by placing bets with our money...and continue to do so this very day. But that's not all, not by a long shot.

In their own words, and in their own documents, they (the IMF & cousins) want to do more for us! The IMF, in an attempt to address systemic risk in the financial system, has agreed to promote and create a Systemically Important Financial Institution (SIFT)... to serve as the Knight in Shining Armor...to put out the contagion flames when they arise again. A SIFI -- and no, this unfortunately is not from a SCI-FI movie is **the creation of a new SUPER BANK**. They will create a new SUPER CURRENCY. accelerate the

contagion they created, and continue to charge us exorbitant fees to put out its sordid flames.

I recently contacted a PhD (a junior Greenspan Bernanke), working at the Federal Reserve, and asked: Who is the FED actually cutting a check to in the amount of \$40 billion each month" "The exact answer from a PhD at the Fed was: **The short answer is: current holders of Agency-backed Mortgage-Backed Securities (Agency MBS). We purchase Agency MBS in the secondary market via a competitive process**

In their own words, we're still covering their bad bets, making them 100% whole for all their bad decisions. Why? Because they profit because they can, and because we let them. All of our money is tied to and fuels their deeds. But remember \$40 billion a month or \$85 billion a month is trump change compared to the \$14 million or \$650 million or \$800 trillion derivative markets the real demons behind the debt. It's surreal.

A lot of folks like to spend their time blaming other folks for everything, by pointing fingers a lot, and bitching and complaining; especially when unthinkable and virtually incomprehensible dirty deeds are perpetuated. And I totally understand...as I detest bullies and thieves. But, I'm much more for Solutions.

When I was a young boy, I came home one day from school and mentioned to my mother that 3 local bullies had beat me up, stole my lunch, and were terrorizing other kids in alleys around the school. After I told her I would fight harder and run faster the next time they jumped me, she hugged me and told me to play in our yard and around our neighborhood -- and that those bullies were no damn good.

The Main Street Market Exchange - MSME (www.mainstreetmarketexchange.com) is a market **PLACE where we on Main Street can invest in each other and our unlimited supply of revenue generating PLANS**. It's our own 'Watering Hole, without all of the lions, and tigers, and bears drinking all of the water. It's a **GLOBAL matching 'Bulletin-Board' of PLANS**, talent, experience, mentor ship and investment...where **we can meet and actually DO business together**...invest in each other...just like Wall Street figured out a long time ago.

At **the Main Street Market Exchange**, we Americans are no longer limited to the few folks we know (i.c. Relatives, friends, associates, etc...) when we look for the investment (\$\$\$) and human capital we need to **fuel our unlimited supply of PLANS**. And the talent or experience we have to offer is no longer limited to the folks we know in the neighborhood. We now have a unlimited number of folks we can look to work with...to work together in order to prosper. And those of us (investors) with some money, **now how have an alternative to Wall Street** and a perpetual fountain of profitable PLANS to funnel our money to...to fuel countless American dreams.

America became great financially for lots of reasons. But at our Core we Saved, we Invested, and we Marketed and did business with each other. And we've suffered financially lately -- and we are going in the wrong direction --because instead of Saving, Investing and Marketing with each other... we've Spent, and Borrowed, and marketed with the global money-changers.

It's time to get back on the right track. It's time for Main Street. It's our time. And don't you worry: We don't have those damn demon derivatives lurking behind our PLANS.

Welcome to the Main Street Market Exchange.