HEDGE FUNDS SPARK WORLD REVOLUTION

By Cliff Kincaid - May 10, 2010

The Marxists used to be the experts in exploiting human suffering for the purposes of sparking revolution. But the hedge funds are doing better than the Marxists.

Consider that the business publication *Barron's* has an article headlined on its cover, **A savvy hedge-fund manager reveals how to make money on Old Worlds woes.** A better headline would have been **How to exploit human suffering.** At a time when people are dying in Greece because of riots in response to economic problems, what kind of publication would openly advertise how to make money at the expense of others and profit from their misery?

But this is how the hedge fund short sellers and their apologists work.

First, our media claimed the stock market plunge last Thursday was a fat finger pushing the wrong key on a computer. That ridiculous assertion was laughable. Now, the absurd claim is that it might have been a cyber-attack by some unnamed foreign adversary. A conspiracy theory is not needed to explain this. All available evidence points to the involvement of the hedge fund short sellers. These are people who specialize in selling short and then buying long, in order to make money at both ends of the transactions. Any financial analyst with a brain knows that the hedge fund short sellers operate this way. It is not a mystery.

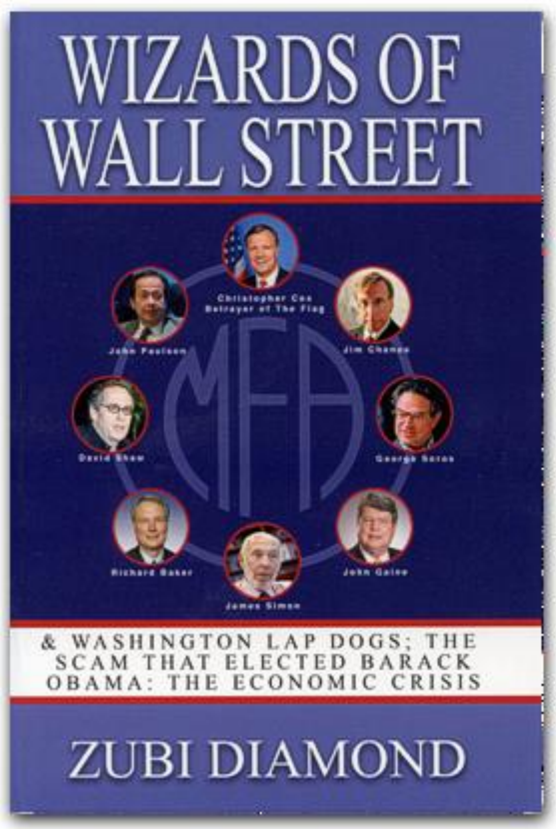
If anything, the Goldman Sachs congressional hearings demonstrated this fact. These people can make money no matter what happens.

The result has been a loss of even more confidence in the system, putting the survival of American capitalism in jeopardy. It is something the Marxists have only dreamed about.

The on-line version of Barron's has a different headline over the article, which consists of an interview with Adam Fisher, the 38-year-old founder of Commonwealth Opportunity Capital. This headline says, ***How to Make Money in a World of Risk.*** But the point is still the same there is money to be made while the world and eventually America goes up in flames.

Fisher's partner and co-founder, Reagan Silber, competes in the World Series of Poker. No kidding.

While Fisher is betting on the collapse of the European Union's currency, major upheaval in the United States is not too far behind.



The Global Europe Anticipation Bulletin (GEAB), which predicted the current financial crisis, has been predicting a U.S default on some of its debts. The default has been temporarily postponed because of the unprecedented spending and issuance of debt on top of debt by the Obama Administration. It predicts the next debt crisis in Britain, to be followed inevitably by the United States when a major crisis will affect its public debt holdings.

Interestingly, while Fisher is quoted in Barron's as mostly talking about turmoil in Europe, he is full of praise for John Paulson, who saw the forest for the trees when he bet on a housing market collapse and made billions of dollars.

For his part, Fisher is short on the euro and is betting on a significant change that would mean dissolution or massive devaluation of the European currency. There is a 30 percent probability that the entire European financial system blows up, he says.

These comments are made as if he is playing a board game of Monopoly. But real lives and the savings and jobs of millions of people are at stake.

International Marxists, meanwhile, have seized on the revolutionary consequences of what is happening in Greece, saying that European Communist Parties must organize in opposition, bring down current governments, and replace them instead with the United Socialist States of Europe.

Not surprisingly, Fisher finds nothing objectionable in the short-selling scheme that earned Goldman Sachs an indictment. In that operation, John Paulson helped Goldman select a pile of dubious loans that were likely to fail but were sold to investors anyway. Paulson has not been charged, however. As we noted in a previous column, Although Paulson's role in devising the financial instrument that caused the losses is detailed in the complaint, he is not named as a defendant in the suit.

So the indictment was a ruse designed to convince the public that the regulatory authorities are somehow doing their job. Similarly, the Securities and Exchange Commission (SEC) says it is examining Thursday's plunge and will consider issuing new rules.

Also not surprisingly, Fisher insists the charges against Goldman are flimsy and that it was irrelevant who picked the loans because all of the players are big boys who should have understood the nature of the transaction.

But little people, who lose their homes or much of the value of their homes, get burned. Meanwhile, Freddie Mac, the federal government-owned mortgage-finance company, recently said it will need $10.6 billion more from the U.S. Treasury. It has received $50.7 billion from the taxpayers since November 2008.

Now, because of what happened last Thursday, the little people with good reason are scared to death to invest in the stock market.

What has to be done, argues Zubi Diamond, author of *Wizards of Wall Street,* is to reinstate the regulations that prevent the hedge fund short sellers from manipulating the market. None of these regulations are in the so-called financial reform bill on Capitol Hill pushed by Senate Democrats such as Christopher Dodd and Charles Schumer and backed by President Obama.

As Diamond argued in a recent column, the hedge funds are responsible for 75-90 percent of all trading activities on Wall Street and they are responsible for the extreme market volatility.

He said the most important measures which must be taken to reduce the damage they cause to our system include:

- Reinstate and restore the short sale price test regulation known as the uptick rule (to its original condition and not modified).
- End mark to market accounting and replace it with book value, historic cost accounting.
- Reinstate the circuit breakers and the trading curbs to kick in whenever the Dow Jones industrial average drops 150 points to reduce market volatility and

massive panic sell-off in order to allow investors time to think before they act. Consider what happened on Thursday.

As Diamond points out, Accenture, with the ticker symbol ACN, dropped from $44 to one cent per share within 15 minutes, and recovered back to $41. Apple computer ticker symbol AAPL dropped 60 points in 15 minutes. It went from $258 down to $199 and then recovered to $248. All of this happened within a 15-minute period.

The weak-kneed SEC merely comments that Thursday's unusual trading activity included extreme volatility for a number of individual securities. This is inconsistent with the effective functioning of our capital markets and we will make whatever structural or other changes are needed.

John Paulson, at the center of the housing market collapse and the Goldman Sachs scheme, is a leading member of the Managed Funds Association (MFA), which Diamond calls the most powerful special interest group operating in Washington, D.C.

The Politico noted in a recent article that the MFA and another lobby for hedge funds spent $7.3 million in 2009 and $2 million on lobbyists in the first three months of this year and that this money and their political connections have meant that hedge funds have largely escaped the new regulations in the financial reform bill.

Politico reported, One of the wealthiest hedge fund managers, John Paulson, held a $1,000-per-person fundraiser for Dodd last year and gave the maximum contribution to his now-defunct re-election campaign. And when Schumer ran the Democratic Senatorial Campaign Committee, he collected almost $150,000 from 10 of the richest hedge fund managers.

The publication added, The MFAs chief lobbyist, Roger Hollingsworth, worked as deputy staff director of the Senate Banking Committee and was one of Dodds senior advisers during the previous Congress.

Hollingsworths bio also discloses that he previously served as deputy chief of staff and legislative director for Senator Jon S. Corzine (D-NJ), and as banking committee aide to Schumer.

Back in January 2007, according to the New York Times, Schumer invited a who's who of hedge funds to dinner at Bottega del Vino on the Upper East Side of Manhattan and gave some simple advice to the billionaires in his midst. He told them, **If you want Washington to work with you, you had better work better with one another.**

They have.

While Diamond has been consistently correct about the problems in the markets and what must be done to correct them, he doesn't have the kind of bio that makes him attractive to the major media. Producers and correspondents like the university professor-types and the professional talkers and money managers who get invited back on the shows, time after time, without regard to whether what they are saying has been accurate or not.

But there is much that recommends Diamond, who understands how America is supposed to work and why it has been historically attractive to so many immigrants. Capitalism is synonymous with America he says. Capitalism is Americanism.

This is from his official bio:

The author/investor arrived in America as an African immigrant and worked in fast food restaurants as a regular employee, then as a night porter, cleaning up the restaurant after-hours. In an effort to improve himself, Zubi watched night managers complete closing procedures and inventory and advanced his knowledge where he was promoted to a shift manager position, and later became a General manager.

From his early days as a night porter and a restaurant manager, Zubi saved more than half the money he earned and in a few years amassed enough in savings to make down payments for the purchase of two single family residential homes in the inner city, which he rented out to tenants as income properties.

Over the years as the properties appreciated in value along with Zubi's continued habit of compulsory savings discipline, with his eyes on the price of owning a fast food restaurant franchise, he built up the financial statement and the balance sheet necessary to qualify and gain approval to purchase the licensing agreement to operate a multi unit fast food franchise operation on the west coast.

Later, Diamond got interested in the financial markets and studied them, becoming a successful investor and trader.

By contrast, another immigrant, George Soros, who met with John Paulson before the financial crisis of 2008, became rich by betting on economic and financial collapse. He has dedicated his life to transforming America into what he calls an open society, tolerating and even approving evil and immoral activities and causes such as illegal drug use, abortion and homosexual rights, and prostitution.

As we wrote back in 2004, when Soros backed Democratic Presidential candidate John Kerry in his first major attempt to take control of the White House, Soros may be the biggest political fat cat of all time. Convicted in France of insider trading, Soros specializes in weakening or collapsing the currencies of entire nations for his own selfish interests. He is known as the man who broke the Bank of England. His power is such that his statements alone can cause currencies to go up or down. Other people suffer so he can get rich.

Kerry went down to defeat, but Barack Obama, backed by Soros in 2008, was a successful candidate. The financial crash in 2008, brought on by Paulson, Soros and associates, guaranteed his election.

Needless to say, Soros has been spared from any official scrutiny because of his political connections to the Obama Administration and Congressional liberals. He is also a member of the MFA.

Diamond calls the Center for American Progress (CAP), which is the major beneficiary of Soros largesse in Washington, D.C., the Center for American Destruction. You will never catch CAP, which has rehired the disgraced communist revolutionary Van Jones, holding one of its endless series of seminars on the dangers posed by Soros and other hedge fund short sellers. But the worst is yet to come.

The Global Europe Anticipation Bulletin says we are in the midst of global geopolitical dislocation, which will ultimately result in the destruction of the U.S. dollar and a New World Order.

So after the hedge funds make money off the collapse of Greece, Britain, and perhaps other national economies in Europe, the U.S. will be ripe for the picking. That means more turmoil, perhaps riots in the streets, and more government control over the people and their lives.

Meanwhile, some American conservatives gripe about U.S. money going through the International Monetary Fund (IMF) to bail out Greece, oblivious to the fact that the U.S. itself will eventually have to come to the IMF for help. **The New World Order will be dominated by the IMF, the United Nations, other global institutions, and China and its allies.**

Some American conservatives also gripe about the financial reform bill as if it is too tough. They ignore, as Diamond points out, the difference between good and bad Wall Street, the latter being the hedge fund short sellers who specialize in making money as companies and countries collapse. The bad Wall Street has escaped untouched.

While Congress considers a bill to audit the Federal Reserve, the Global Europe Anticipation Bulletin says it is clear that that the U.S. central bank has a balance sheet increasingly polluted with toxic assets and resorts to accounting tricks to hide the fact that it has become one of the major buyers of US Treasury bonds. This also portends financial bankruptcy.

We don’t need an audit to find this out.