

Was It All Just an Honest Mistake?

By Adrian Douglas

From time to time I have what I call a 2 by 4 moment...this is when I read something and suddenly it like some one hit me over the head with a 2 by 4! I had a 2 by 4 moment this week when this news piece hit the tape...

<http://www.iht.com/articles/reuters/2009/03/06/business/OUKBS-UK-IMF-LESSONS-CRISIS.php>

QUOTE

IMF gives self an 'F' in spotting financial crisis

WASHINGTON, March 6 (Reuters) - The IMF gave itself a scathing review for its mistakes in spotting the roots of the global crisis and acknowledged it fell short in its job as the world's main financial system supervisor.

In a series of papers that look at the initial lessons from the crisis, the IMF said a patchwork of uncoordinated oversight and ineffective messaging failed to spot and call attention to the risk that a global credit boom could burst spectacularly, triggering the worst global slump in decades.

The IMF said warnings before the crisis, including its own, were too scattered and unspecific to force policy-makers to act, let alone prompt collective policy action.

In the long list of its failings, the IMF acknowledged its surveillance either missed or underestimated risks, while complacency was encouraged by its optimistic bottom-line assessments and hedged messages.

END

It was just like someone had hit me with a 2 by 4! This was just the most implausible excuse I had ever heard! How ridiculous is this? Do they mean that no one at the IMF reads the Wall St Journal? All they had to do was pick up a copy of the WSJ on Jan 31 2008 and they wouldn't have missed the signs of financial crisis because GATA spelled it out for anyone with an IQ bigger than a grapefruit! They could have got an A++ if they just paid attention to us!

They got an "F" for spotting the signs of financial crisis but they get an A++ for looking the other way while their buddies in the Gold Cartel were looting the world's financial system.

This mea culpa is outrageous.

After my blood pressure had returned to normal I recognized the pattern. For a long time I had wondered why the American public is not outraged that they have been robbed blind, and that their productive economy, that was once the envy of the world, has been destroyed by a monstrous, parasitic banking Cartel. Why aren't the people on the streets burning tires? Why is there no march on the Federal Reserve? Why are there no angry crowds in front of the Congress? Why are there no barricades in front of Fannie Mae and Freddie Mac? Why is no one demanding accountability? Why is no one protesting that the Constitution requires a Government of the People FOR THE PEOPLE not for a group of Bankers?

The answer is that it appears that it has all been an honest mistake! And who can not find compassion in his heart to forgive an honest mistake?

I did some research and to my astonishment there is a long litany of pathetic admissions of incompetency. The white collar thugs who have looted the world's financial system for their own enrichment are all claiming it was just an honest mistake. I am included below just a fraction of the examples I found:

http://www.insurancenetworking.com/news/insurance_AIG_senate_house_financial_services_systemic_risk11979-1.html

QUOTE

Some regulators even acknowledged making mistakes in overseeing AIG.

Polakoff said that even though the OTS had the authority to oversee the activities of an AIG subsidiary that others had said was technically unregulated, the agency failed to exercise its authority properly. "We were clearly responsible, as the consolidated regulator" for Financial Products, the business that witnesses said caused many of the problems that led to a bailout for the company. "We, in 2004, should have taken an entirely different approach than what we wound up taking regarding the credit default swaps," he said.

END

<http://online.wsj.com/article/SB122476545437862295.html>

QUOTE

Alan Greenspan, lauded in Congress while the economy boomed, conceded under harsh questioning from lawmakers that he had made mistakes during his long tenure as Federal Reserve chairman that may have worsened the current slump.

END

<http://www.wcbs880.com/pages/3509645.php?contentType=4&contentId=3225347>

QUOTE

"I am gravely concerned by the apparent multiple failures over at least a decade to thoroughly investigate these allegations or at any point to seek formal authority to pursue them," Cox said in a written statement.

The SEC chairman said Madoff kept several sets of books and false documents, and provided false information involving his investment advisory activities to investors and to regulators.

END

<http://query.nytimes.com/gst/fullpage.html?res=9C04E1DE1430F933A05753C1A9659C8B63>

QUOTE

Fannie Mae announced yesterday that it had corrected errors in its most recent financial results, which in some cases varied from the correct amounts by more than \$1 billion. The company attributed the errors to flawed application of new accounting standards.

END

<http://mises.org/story/2627>

QUOTE

The latest tally will have Fannie Mae restating its earnings to the tune of \$11 billion. Flagrant accounting errors go back to at least the 1990s, when the company was improperly deferring expenses in order to boost reported net income as it paid out huge bonuses to top executives. Upon being hit by the scandal in 2004, Fannie Mae stopped filing its financial statements with the SEC.

END

<http://www.gather.com/viewArticle.jsp?articleId=281474977476138>

QUOTE

Raines was forced to retire from his position with Fannie Mae when auditing discovered severe irregularities in Fannie Mae's accounting activities. At the time of his departure The Wall Street Journal noted, "Raines, who long defended the company's accounting despite mounting evidence that it wasn't proper, issued a statement late Tuesday conceding that "mistakes were made" and saying he would assume responsibility as he had earlier promised.

END

<http://news.bbc.co.uk/1/hi/business/7486692.stm>

QUOTE

Paulson admits regulatory errors.

Mr Paulson held talks with Prime Minister Gordon Brown on Wednesday. The impact of the global credit crunch could have been minimized by better regulation of US banks, US Treasury Secretary has admitted.

END

<http://www.foxbusiness.com/story/markets/industries/transportation/gm-makes-case-americans-admits-mistakes/>

QUOTE

General Motors needs \$18 billion from the government and taxpayers and wants the American people to know why.

In an open letter titled "GM's Commitment to the American People" which ran in Automotive News, a trade journal read by industry executives, lobbyists and other insiders, the beleaguered car maker candidly acknowledged it has disappointed U.S. consumers and pledged to do better. It said recent strides to improve the company have been hurt by the economic downturn, which is why it needs the loans.

"We are in the midst of the worst economic crisis since the Great Depression," said GM in the missive. "Just like you, we have been severely impacted by events outside our control. Despite moving quickly to reduce our planned spending by over \$20 billion, GM finds itself precariously and frighteningly close to running out of cash."

Still GM acknowledged that while the economy is hurting the car company, it has made missteps it only has itself to blame.

END

http://www.bobsguide.com/guide/news/2009/Mar/3/BoA_boss_admits_Merrill_Lynch_aid_was_tactical_mistake.html

QUOTE

Bank of America's (BoA) decision to ask for \$20 billion in public funding from the US Treasury to prop up its takeover of Wall Street brokerage Merrill Lynch was a "tactical mistake" that made the company appear as weak as the stricken Citigroup.

END

<http://www.smartmoney.com/breaking-news/smw/?story=20081006110122>

QUOTE

Lehman CEO Admits Errors, Defends Conduct:

In his testimony, Fuld portrayed Lehman Brothers as mistaken in its assumptions about the health of mortgage markets, but also the victim of happenstance and financial markets that eroded too quickly for Lehman executives to contain the firm's losses.

With the benefit of hindsight, I can now say that I and many others were wrong," Fuld said in his testimony.

END

http://www.democraticunderground.com/discuss/duboard.php?az=view_all&address=102x2300933

QUOTE

Lay admits mistakes

But he tells the judge he didn't mean to break law and defraud banks

Former Enron Chairman Ken Lay told a federal judge Monday that he repeatedly violated the banking regulations he's accused of flouting but he didn't realize he was doing it at the time

END

<http://www.usnews.com/usnews/biztech/articles/050411/11aig.htm>

QUOTE

AIG fesses up

The mega-insurer admits to a slew of accounting no-nos, ensnaring Warren Buffett's Berkshire Hathaway

END

<http://www.reuters.com/article/politicsNews/idUSTRE50P67020090126>

QUOTE

"Secretary-designate Geithner ... admitted that he'd made honest mistakes that could and should have been avoided," White House spokesman Robert Gibbs told a briefing. "He made amends by paying the back taxes and interest that he owes."

END

<http://www.mls-real-estate.com/2008/05/06/countrywide-admits-mistakes-not-wrongdoing/>

QUOTE

Mortgage lender Countrywide Financial Corp., which is under investigation for inflating certain borrowers' fees, acknowledged Tuesday that it has made errors and pledged to take steps to improve its operations.

END

<http://www.google.com/search?hl=en&q=admits+mistakes+bank&start=10&sa=N>

QUOTE

The CEO of Deutsche Bank, Josef Ackermann, has admitted that he made judgment errors regarding the global financial crisis.

END

<http://www.topnews.in/ubs-admits-mistakes-subprime-mortgage-crisisb-237604>

QUOTE

The worst hit of its global rivals, Zurich-based UBS has been forced to make more than 37 billion dollars write-downs in assets stemming from the US housing shakeout, which has set shock waves across the world financial sector.

"We have made mistakes, and we have learned our first lessons from them," Ospel told the 4,000 angry shareholders attending the meeting in Basel. "Our future management will continue to learn from the things we did wrong."
END

http://business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article1356470.ece

QUOTE

Stephen Green, the chairman of HSBC, conceded that mistakes had been made as the bank faced the fallout yesterday from the first profit warning in its 142-year history.

Mr Green, speaking to The Times, said that the American consumer finance business at the heart of HSBC's current troubles had not been properly supervised and had sold the wrong products. "The truth is we didn't get it all right, to put it mildly," he said.
END

<http://www.efinancialnews.com/privateequity/index/content/3352938241/restricted>

QUOTE

Ex-Glitrir chief repays severance and admits mistakes in Iceland

The chief architect of Icelandic bank Glitrir's heady international expansion has paid back his severance pay of 1kr370m (€2.2m) and admitted anger with himself for building a bank that relied on an unsustainable model that ultimately led to its collapse and nationalization.
END

<http://www.irishexaminer.com/ireland/ideyeykfid/>

QUOTE

AIB's chief executive is unlikely to look for a bonus or a pay rise for the rest of his career, after he admitted the bank has made mistakes.
END

http://www.thisismoney.co.uk/news/article.html?in_article_id=434613&in_page_id=2

QUOTE

The Government's City watchdog today owned up to glaring errors in its handling of the Northern Rock crisis.

The Financial Services Authority said it had failed to see the warning signs and that its supervision of the bank was 'unacceptable'.

END

http://afp.google.com/article/ALeqM5iTIbxqsJZJ0_oYfCcQMDM-9LeDOA

QUOTE

Troubled financial group Fortis admitted on Monday that past errors had triggered the crisis that required the Benelux nations to hammer out a 11.2-billion-euro bailout over the weekend.

END

<http://www.telegraph.co.uk/news/newsttopics/politics/4929018/Alistair-Darling-We-made-mistakes-on-the-economy.html>

QUOTE

Ministers must have the "humility" to admit that mistakes have been made by the Government in the lead up to the financial crisis, Chancellor Alistair Darling admits.

END

<http://www.herald.ie/national-news/watchdog-admits-serious-errors-over-anglo-irish-scandal-1601027.html>

QUOTE

Watchdog admits serious errors over Anglo Irish scandal

The Financial Services Regulatory Authority has said there was a serious breach in its office in overlooking the directors' loans at Anglo Irish Bank.

It also admitted the controversy had hit public confidence in the work of the watchdog.

END

<http://www.godlikeproductions.com/forum1/message552385/pg1>

QUOTE

Moody's awarded incorrect AAA ratings to billions of dollars worth of a complex debt product - constant proportion debt obligations - due to a bug in its computer models, the Financial Times reported.

Internal Moody's documents seen by the newspaper show that some staff within the credit agency knew early in 2007 that products rated the previous year at AAA should, after a computer coding error was corrected, have been cut by up to four notches.

END

http://abajournal.com/news/was_bear_stearns_guarantee_a_mistake_by_wachtell_lipton/

QUOTE

Legal tongues are wagging over a report that raised questions about whether lawyers at Wachtell, Lipton, Rosen & Katz made a mistake in JPMorgan's original contract offer to buy Bear Stearns for \$2 a share.

A person briefed on contract talks told the New York Times that a clause inadvertently included in the agreement required JPMorgan to guarantee Bear Stearns' liabilities even if shareholders voted down the deal. JPMorgan CEO James Dimon was reportedly "apoplectic" after learning of the clause, the newspaper said. As it became more likely that shareholders would block the purchase, JPMorgan came up with its new offer of \$10 a share.

END

You have probably read enough of these pathetic admissions of incompetence but this is only just a small sample! Can we really believe that the world somehow came to be run by the dumbest people on the planet and that their Keystone Cop bungling of the world economy and the financial sector has accidentally led to the biggest crisis in human history? On the contrary, these were some of the smartest people on the planet. But smart people, no matter how smart they are, are not immune to the temptations of greed. But the system should have been able to recognize smart greedy people doing the wrong things and stopped them. Except that these smart greedy people got together and thought they were so smart they could enrich themselves at the expense of others without ever getting caught. Once this happens there is by definition a conspiracy. All those that are involved are beneficiaries and they have no interest in stopping it.

Incompetency is not an acceptable defense. A massive quadrillion dollar derivatives market grew up in the space of 15 years from virtually nothing. Could any of the big players in the financial world have been so smart that they could have bet more than 15 times the total annual GDP of the world that their view of the world was correct? There is no rational business case defense for betting more money than exists in the whole world! But there is a logical explanation. If someone knows that the market is rigged such that certain outcomes will never happen he will place the highest leveraged bets that he can get away with.

The majority of the Quadrillion dollars of derivatives were taken out against interest rates and credit default swaps. This means the writers of these pseudo insurance contracts were very confident they knew the future direction of interest rates.

How could anyone be so confident of the direction of interest rates that the bets could mount up to more money than is in the whole world? The answer lies in Summers & Barsky's Paper "Gibson's Paradox and the Gold Standard".

Summers concluded that in a freely traded gold market real interest rates and the gold price move in inverse relationship. In other words if real interest rates are low the gold price should be high and vice versa. But for most of the 1990's and this decade we have seen low gold prices (not even keeping pace with inflation) AND low interest rates. This means the gold market was NOT freely traded. This was at the core of Robert Rubin's strong dollar policy. By suppressing the gold price interest rates could be low and the dollar remain strong allowing the US to live beyond its means and grow M3 money supply from 4 T\$ to 15T\$ in just 14 years. The US was able to import far more than it exported and pay with over valued dollars which were then exchanged for overvalued Treasury Bonds and kept as reserve assets by foreign countries.

If anyone was aware that the system was rigged in such away they would be prepared to bet all that they could. In the stock market the best way to know that investors are trading on insider information is to see an explosion in volume BEFORE a key news release that could not have been anticipated. The explosion in derivatives to levels that do not even make logical sense is a neon sign that the system was rigged any many people knew about it, betting to such insane levels that it could only be an insider trade.

Gold is not the "barbarous relic" in the financial world. Manipulation of the gold price was key to suppressing interest rates and boosting the exchange value of the dollar and knowledge of this scam allowed those in the know to bet the farm that they could not be wrong. Once the bets got bigger than the house and defaults on sub-prime mortgages occurred, the implosion started, and, it is not finished yet!

So for those who don't believe in conspiracies I would like to know why interest rates were the focus of most of the derivatives and how more money could be bet than exists on the planet! And please don't come with "It was just an honest mistake" otherwise I will hit you on the head with my 2 by 4!

Adrian Douglas

March 7, 2009

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