

Q&A re the after effect of MTM FASB 157 extending from November 9, 2007 and its implications for 2011

Introduction: Pieter Samara interview material for Q&A w/ Brannon Howse www.worldviewweekend.com

A lifelong entrepreneur involved in creating the infrastructure for the operations of a number of different businesses that have given him a firsthand experience of the impact and political, social, economic intention and impact of regulations, from

- Fresh raw vegetable juice processing and distribution (1972/3)
- Industrial sandblasting and painting – oil and chemical tank farms, tanker barges, oil tankers, Navy ships (1974/9)
- Sorting out the placement of parents inherited wealth with banks, a hedge fund and asset managers (1979 & 1985/6)
- Trading on Grandfather and Uncle's 1922 to 1970 reputation coal and shipping business to launch the same buying US steam and metallurgical coal for European industry (1980/5)
- Representing banks and asset managers to European banks and pension funds in the 2nd half of the 1980's (1986-1991)
- Research into bank regulations 1992/4, writing several articles about the bank regulatory mechanism as the basis to Capitalism(1995/6). Establishing a commercial mortgage bank (1996/8)
- Moved to Thailand to advise the government and banks not to proceed with the IMF's plan to fire sale \$21 billion in assets (1998/9)
- Then bid on banks closed under pressure of the IMF and later finance companies (1999-2000)
- Then a bid on a government owned Philippines bank, later savings banks (2003/5)
- Currently, in a real estate development in Manila (2005-Current)

Question: In your articles you write that the Democrat Congress, former Bush and current Obama Administrations and several too big to fail banks to come under Federal government protection, don't care that the electorate discusses a return to ideals of the Founding Fathers. Why is that?

Answer: Under pressure from the BIS under BASEL Accord II, the Democratic Congress, in particular Chris Dodd and Barney Frank Chairmen of the Senate and House Banking Committees put pressure on the Financial Accounting Standards Board (FASB) to change the way in which the Private Sector businesses and banks valued their assets, i.e., equity capital and debt capital, from **hold to maturity accounting**, which the US has had from the beginning until 1929, and again since 1938, to **mark to market accounting**. FASB required approval for such a **major structural change** to Private Sector's capital formation and credit from President Bush (father and grandfather both One World Government / New World Order) and Treasury Secretary Paulson (former GS Chairman) to authorize the SEC to approve the regulatory change, which FASB implemented on November 9, 2007, **voiding the FASB 115** hold to maturity valuation rule for only the Private Sector, **forcing the Private Sector to adapt mark to market accounting FASB 157**, while the government and Federal Reserve continue to value assets on a hold to maturity basis, as Paulson and Bernanke also explained to a Senate Banking Committee when requesting TARP funds in September 2008. At that time both assured the Senators that their purchase of AAA rated MBS, they expected to be purchased at 70% of their estimated value, would be revalued based on the original hold to maturity valuation right of the government and Federal Reserve, thus reaping a considerable profit for both (**at the expense of the Private Sector**).

Question: Why do you say that, as a result of this change in accounting rule to only the Private Sector from FASB 115 and FASB 157, which we never hear anything about in the media, the government doesn't care what the Private Sector has to say?

Answer: FASB 115 allowed banks to maintain the principal value of their assets intended to be held to maturity, based on their pricing at the time of loan origination and to make provisions against those loans that might become impaired due to non-performance, with only loans that had an outright default being booked against a bank's capital. **FASB 157 requires** that all banks and financial institutions revalue assets based on any changes in affordability relative to the pricing at origination and that any **losses in devaluation** of people's net disposable or net operating income relative to the original ratio of their net cash flow to mortgage or loan amount **be deducted immediately from a bank's capital**. Under FASB 115, both the Private Sector and the Federal government and Federal Reserve retained the right to value assets on a Hold to Maturity basis, while under FASB 157, only the Federal government and Federal Reserve retain this right.

Question: Can you provide examples of this that will lead back to answering the first question?

Answer: Put into practice hold to maturity accounting in the Private Sector, FASB 115, meant that with a market slowdown, banks and financial institutions would maintain the principal value of the assets on the basis that they would be held to maturity, with only non-performing loans requiring provisioning of potential losses against capital and the principal value of loans losses in outright default only being deduced from a bank's capital. What this did was **1/** establish a **predominant market pricing** for all assets, because banks would maintain 70% of their financial contracts with borrowers based on their originated principal value. **2/** The result of establishing of "**predominant market contracts**" was that the value of all assets tended to trade up to or back down to the original pricing related to the asset. This kept all commodities and property values in a certain trading range that **prevented speculation**. For example, if speculators traded predominant market pricing too far above that pricing, short sellers would force it back down, and when short sellers word speculate markets downward, investors would come in to return prices to the predominant market effecting a short squeeze. You might recall the Hunt Brothers trying corner the silver market by hoarding silver, until Tiffany came into the commodities market and shorted it with enough cash and leverage to immediately return the market to the predominant market pricing upon which banks provided loans for silver miners. **3/** Such Predominant market pricing was also inherent in the protection of depositor's cash, which was used by banks to originate loans and invest in securities. In fact hold to maturity accounting is implicit in any CD or depositor's contract, as without that, slight changes in loan affordability would devalue the bank's assets against the bank's capital rendering the assets and liquidity to be less than the cash value of the deposits! What this means is **4/** that with hold to maturity accounting, which is the basis for the establishment of "predominant market pricing," speculation was taken out of the market, and depositor's cash used for lending was protected.

Question: Your articles state that hold to maturity accounting is the foundation of Private Sector wealth creation and preservation and the regulatory mechanism that is the basis for ownership and control of capital in the Private Sector. How does this regulatory mechanism work with hold to maturity accounting as its basis in the Private Sector?

Answer: The regulatory mechanism under hold to maturity accounting prior to November 9, 2007 going back to 1938, when FDR was forced to restore it from the imposition in 1929 by Hoover of mark to market accounting, meant that in a declining market, **(a)** lenders would be obliged slow and stop lending, banks would tighten their belts and innovate, and as a result generate wider and wider spreads, as deposit interest rates declined relative cost of operations and loan rates, thus increasing profits and their Tier 1 (equity) capital, **(b)** typically as interest rates declined, the Fed would also start to reduce rates as well, which meant that the principal value of the loans and mortgages of the banks relative to the affordability formulas they were based on would increase, **(c)** as the markets continued to decline, banks would shift lending from 100% and 50% risk weighted asset, i.e., business and consumer loans and housing loans to zero % risk weighted assets of the Federal government, treasuries and unconditionally guaranteed loans, thus improving the bank's capital adequacy ratio, setting the stage for lending again, **(d)** borrowers would tighten their belts, innovate and improve their net disposable income relative to their loans, setting the stage for their borrowing and business expansion, **(e)** as banks would typically have maturities allocated based on their need for cash to relend to their communities and markets, as these loans and securities would mature out of their higher interest, by relending at a lower interest, automatically the principal values of assets relative to bank capital would improve, **(f)** as the capital adequacy of banks exceeded the minimum risk adjusted ratios, banks would begin to expand lending out of US treasuries and into 100% and 50% and 20% risk weighted assets of the Private Sector.

Question: You mention the risk adjusted ratio of bank assets to capital. Please explain what this means and how it works, and how the banks handle losses.

Answer: Banks are required to have a minimum of 8% capital on a “risk adjusted” basis, where 100% (x 8%) risk weight represents consumer, business and commercial real estate loans is 12.5/1 leverage, 50% (x 8%) represents housing loans and municipal bonds is 25/1 leverage, 20% (x 8%) represents AA rated loans and conditionally guaranteed Federal government loans is 62.5x leverage and zero % represents cash, US Treasuries and any loan unconditionally guaranteed by the Federal government (based on government property, taxes and the ability to print cash against Private Sector wealth, where maximum leverage is Tier 1 capital cannot be less than 4% of total assets or 25/1 leverage, provided that on a “risk adjusted basis” the capital is not less than 8% of assets. Thus, when a bank loses capital value on a risk adjusted basis assuming typically that they have an average leverage of 15x, and capital declines below 8%, the bank has to withdraw some multiple of the loss in capital from its Private Sector loans, typically from its 100% and 50% risk weighted assets, where the resulting cash is shifted to zero% risk weighted assets.

Question: Please provide an example, so we can understand how this works in practice.

Answer: Say a bank has \$8 million in capital leveraged 15x to \$120 million, with \$15 million in zero risk weighted cash and Treasuries, \$55 million in 100% risk weighted assets and \$50 million in first mortgage home loans. On a risk adjusted basis the bank has \$80 million divided into \$8 million, or 10% risk adjusted assets. Now due to \$2 million defaults in the 100% risk weighted asset class, such losses are booked against the bank’s capital, so that the bank now has \$6 million in capital. So dividing \$78 million in risk adjusted loans into \$6 million in capital is 7.7% risk adjusted, meaning the bank is out of regulatory compliance, i.e., it has less than 8% in risk adjusted capital, and may not lend. The bank then withdraws \$18 million in loans from the 100% risk weighted assets in the Private Sector, where the cash from deposits is reinvested into zero risk weighted assets, such as Treasuries. Now, on a risk adjusted basis, the bank has \$60 million, which divided into \$6 million is again 10% on a risk adjusted basis, so the bank can again lend, but where before it had \$15 million in cash and Treasuries, now it has \$33 million in cash and Treasuries, \$35 million in 100% risk weighted assets consumer, business and commercial real estate loans and \$50 million in 50% risk weighted housing loans and total leverage of 19.66 times up from 15x.

Question: What are the implications of this, if a bank continues to make losses?

Answer: Under the Private Sector free enterprise Capitalist system, in which all assets are valued on the basis of their predominant market contract pricing, it means that at the foundation is the hold to maturity accounting rule, where the bank only makes provisions against its capital when loans are not performing, and only books losses against capital, when the impaired loans are resolved, meaning that the bank has recovered as much as it can through a work out or sale of the asset with the difference between the original value, and the recovered value, less interest lost, is booked against the capital. The remainder of the performing loans representing the predominant market, are secure in their value due to the regulatory mechanism explained in the earlier question, which also prevents market values from sharp declines, even under the attack of short sellers. However, as losses continue, eventually the bank will have increased its zero % risk weighted assets to such an extent that it reaches the maximum Tier 1 leverage ratio leverage of 25x, with more than 50% of assets in government unconditionally guaranteed debt, while on a risk adjusted basis the bank’s capital starts to fall below the minimum regulatory compliance to lend. So, the bank stops lending, lays off people, tightens its belt and focused on fees from services and generating a wider spread between its cost of money and yield from assets and waits until income generation brings the bank back into regulatory compliance, and maturing loans can be refinanced at lower interest rates to improve their principal value. Provided that the Private Sector’s free enterprise Capitalist operating system, which has hold to maturity accounting at its foundation, prevails, the markets will typically recover in a downturn within 6 months to a year.

Question: What you seem to be saying in this regulatory mechanism is that in order to maintain stability in the markets that in market declines, the Treasury has to issue debt so that banks have zero % risk weighted assets to shift to. Can you explain this aspect of what you term the Private Sector free enterprise Capitalist operating system?

Answer: Yes, this is where we get into another level of sophistication, to thoroughly understand this mechanism, **(i)** in market declines, the government would **make Treasuries available to banks** to be able to shift their cash from deposits with maturities from 100% and 50% risk weighted assets, i.e., Private Sector lending, into to zero % risk weighted assets so that the balance sheet and capital adequacy ratios of the banks is maintained, with the objective that the government fund, guarantee and co-fund with the Private Sector investments in the Private Sector that improve value and productivity in the Private Sector, where wealth is created and preserved for and by the Private Sector. These include infrastructure projects, certain types of R&D, education, certain types of efficient bureaucracy, where the intent is that such infrastructure is reimbursed to reduce the Treasuries in rising markets, **(ii)** the matter of **offsetting deflation** in declining and rising markets, where such deflation potentially undermines the predominant markets' principal value of bank assets. In this case, the Federal Reserve and Treasury print money to offset the deflationary effect of both declining and expanding markets with the same intended use of funds and intent on repayment, as mentioned just above.

Question: How does deflation potentially damage the value of bank assets?

Answer: Banks make loans and establish the principal value of assets based on a projection of cash flows, which in turn becomes the basis for predominant market contracts mentioned. Deflation, which comes from both sharp market declines AND sharp productivity gains, causes comparative values in the market to decline both as a matter of sale price and underlying income, where more goods and services can be purchased for less money. However bank's principal value is based on a projected stable market pricing behind the affordability formula.

Question: Any examples?

Answer1: during the Reagan years there was an estimated 6% annual deflation BOTH from productivity gains and sectors of the oil producing economy. Imagine that the cash flow values of assets of banks declined because of such levels of productivity? It would have meant that bank's capital adequacy requirements would have been breached and collapsing liquidity. So, even though Reagan wanted to control spending, nevertheless, we saw spending used for infrastructure and "boondoggle" projects in every State, where the economy had collapsed due to a combination of (a) the oil price decline due to Reagan's Executive Order to eliminate the regulatory underpinning to high oil prices as a way to undermine the Soviet access to cash flows from oil and its economy, which was also the direct cause for (b) the collapsing S&Ls in those oil producing States. The overall result, however was that the economy doubled in size and national debt as a percentage of GDP declined from 28% to 18%.

Answer2: Currently the example is purely based on collapsing values, where both income and property is declining to both the individual and businesses. This means that pricing related to affordability formulas are also declining. The 2 solutions are to continue to expand the importation of cheaper products and services (outsourcing) and again the printing of cash and Treasuries to be exchanged for cash to offset the deflationary effect. In this case, because of the cheaper products and services coming into the country, there is no foreseeable future, where we could have price inflation.

Question: Doesn't the borrowing and printing of money by the Treasury drain Private Sector equity capital and make access to debt capital more costly?

Answer1: If the funds borrowed or printed are not used for infrastructure, education, etc, where the intent is that they are repaid and the borrowings terminated from the balance sheet of the Federal government, then it drains the ability for the Private Sector to access credit, thus hampering the recovery and depleting access to debt and equity capital and opportunity for those entering the workforce, new businesses and the expansion and stability of established businesses.

Answer2: For example: In the FDR years, the New Deal and again in the Johnson years, the Great Society, used the Keynesian concept that inflationary spending, i.e., the borrowing and printing of cash was necessary, and in regards to the banking sector, it is for the reasons mentioned above. However, we can see that all spending oriented towards redistribution, i.e., government give always resulting in no productivity or value gain to the funds expended, depleted Private Sector capital formation and access to equity capital, and limited Private sector access to debt capital, driving the economy down even further. This as opposed to the Reagan years, where funds were used for any kind of infrastructure, including boondoggles, which eventually were able to generate income and value.

Answer3: Invariably, when government *expends* Private Sector capital (as government has NO capital of its own) in “giveaways” or *depletes* the ownership and control of capital from the Private Sector to the government, as mentioned above, and *needs to generate value* in the markets backed by zero risk weight guarantees, then *government resorts to War*. This was the case for Hitler’s Socialist Third Reich, having run out of factories, highways and bridges to build. This was the case for, FDR’s Socialism, where in 1938, they were forced to restore hold to maturity accounting to again unleash the power of capital formation in the Private Sector to go to World War. This was the case for Johnson having to expand the war in Vietnam that Kennedy was withdrawing from. This was the case for Bush 41, after his “Read my lips No New Taxes” collusion with Democrats to stifle the Private Sector collapsed the economy requiring the advent of the Gulf War I. (see my weblink articles on [The Financial Crisis: The Real Cause](#), the section on the War Economy) This may be part of the Obama plan, which includes for such despots the Malthusian need to reduce population, where Obama’s circle are talking about a global reduction of population by 40%. Apology and Appeasement worked for Charlemagne in his discussions with Hitler in bringing about WWII.

Conclusion: The thorough understanding of this “arcane” (no longer taught) **theory of the bank regulatory mechanism** is that once it is properly understood and applied, as outlined here above, where **hold to maturity is again the basis for the establishment of predominant market contracts** and preservation of pricing and protection of depositor’s cash, within a short period of time there would emerge a booming and robust economy, and we would enter into a Golden Age of prosperity that would be wide spread to all areas of the economy, from quality jobs for those entering the work force to new entrepreneurs to established businesses. It must be understood that banks and financial institutions in this structure are NOT the enemy of main street or the Private Sector, moreover, because in this operating mechanism, banks only prosper when borrowers prosper. **Banks are the value mechanism for debt and equity capital.** This doesn’t mean that there are not financial terrorists in banking or people in government that collude to usurp the wealth of the Private Sector, which we will address as well, as to explain how they have achieved it.

Question: In your articles you mention that under hold to maturity accounting it is (and would have been) impossible for mortgage backed securities (MBS) and credit default swaps (CDS) and derivative products to fail. Can you explain this? ... as the government, some economists and too big to fail banks have blamed the subprime CRA loans as the reason why these MBS and CDS failed, as the basis for what they call a systemic collapse in the Private Sector’s free enterprise Capitalist system that must be fixed in favor of the Clinton/Blaire/Bush/Obama “New Way” / “New World Order,” now so prominent in the media, where government becomes an effective guarantor of all debt capital.

Answer1: MBS and ABS are based on a stringent analysis of cash flows relative market direction and to affordability formulas for mortgages and loans, where such cash flows relative to these affordability formulas result in loan originations, where the principal amount of the loan is determined then held as a bank asset or credit facility provided by banks and financial institutions.

Answer2: In the securitization of a pool of these MBS and ABS, you have coming together the ratings agencies, the loan officers in the Credit Committee, the accounting firms that have reviewed and certified the underwriting cash flows the loans are based upon, and, most importantly, those investors taking the risk of the below investment grade tranches, where investment grade is BBB, A, AA, AAA, and below investment grade, what people often call “junk bonds” are the BB, B and tranches below. Typically, in a securitization, some determination is made, based on the markets of the loan originations as to what percentage of the loans might default. The number is typically very conservative. And a recovery percentage is determined based on what recoveries in the markets are and the time it takes in those markets to liquidate and recover some amount of money. Deducted as well are the loan servicing fees, sub-servicing fees, fees to a Trustee, and an excess servicing fee receivable. What happens after all these calculations is that the securities firm involved, which will sell out the investment grade portion, presents their view of the tranching of the ratings, for example 40% AAA, 20% AA, 15% A, 12% BBB, 8% BB and 5% B. Now the risk takers, i.e., the **buyers of the “first loss” tranches**, which is why the first loss tranches are considered below investment grade, express 1/ what the default percentage should be as a whole, based on their own experience of the markets and locations and borrowers, and what pricing they are willing to accept for the B and BB tranches, possibly a higher yield and greater or lesser percentage of BB and B tranches to the whole. Based on their commitment to the pricing and purchase of the B and BB tranches, the percentage ratios of all other tranches are also determined. Then, typically, the Pension funds will buy the BBB, Insurance companies the A, and banks and governments the 20% risk weighted AA and AAA tranches. In fact because of FIRREA, passed in 1989, banks are not allowed to own below investment grade securities at all unless they themselves originate the loans, securitized them and sold off the senior tranches. In a market decline, the buyers of the B and BB tranches take any losses, from loan and mortgage defaults. The Trustee (again under a hold to maturity value system) then works with the servicing and subservicing companies to directly or through a local bank resolve the matter of any defaults to the best possible conclusion, at minimum loss to the first loss B and BB tranche buyers. What this means, however, is that for a while, possibly 3 to 6 months, the buyers of the B and BB tranches will remain out of the market, which also means that banks and institutional lenders reduce lending, as without the B and BB bond buyers, the securities departments of the banks and securities firms have no investment grade tranches to sell. Because only the risk takers are buying the below investment grade securities, i.e. the first loss tranches, it means that what the Pension funds, Insurance companies and banks are buying is extremely secure. Eventually, the risk takers in securitizations reenter the market, and similar to insurance companies that demand higher premiums in areas where there was a disaster, these below investment grade “first loss” buyers also demand higher yields, higher default assessments, etc., and in the expanding market, as banks and investors in the capital markets shift out of Treasuries, all the rated tranches paying a higher yield than Treasuries, again sell into the market.

Question: What about the much maligned Fannie Mae and Freddie Mac?

Answer: Regarding Fannie Mae and Freddie Mac, they also produce a below investment grade tranche that is sold into the market, so that the quality of their former 20% risk weight was always sound. Because of (i) the November 9, 2007 conversion of valuation of assets from hold to maturity accounting (FASB115) to mark to market accounting (FASB157), (ii) the sharp reduction in loan affordability from May 2007 to July 2008 with (iii) the Fed reducing interest rates from 5.5% to 1% in an effort to offset the loss in principal value relative to the originated loan pricing, and (iv) having to deduct devaluation losses from the principal value of loans, and (v) the collapse in predominant market pricing that formerly sustained markets, these together meant that without the unconditional guarantee of the Federal government to bolster the Fannie Mae and Freddie Mac bonds back to their original to hold to maturity value basis, the global Central Bankers, e.g., China, as major buyers would have sold off these bonds and the entire remaining liquidity of the banking system would have collapsed.

The Federal Reserve then proceeded to purchase all AAA rated MBS at a deep discount (70% of their originated value) and revalued them on a hold to maturity basis until such loans could mature and be refinanced into a government guarantee program to be covered under the government's retained hold to maturity accounting. In the process, and as a result of the change over from hold to maturity accounting in the Private Sector to mark to market accounting, the Federal Reserve garnered, at the expense/loss of the Private Sector, a 43% gain on its investment.

Question: What about the subprime CRA loans that are purported to be behind the collapse in the MBS market?

Answer: You refer to the matter of the 1977 Carter Community Investment Act (CRA) or subprime loans. The original intention was to require banks to originate loans to people without the strong and verifiable means to repay the loans, where the banks were expected to simply absorb the losses, and the quality borrowers pay for that in higher interest rates. The idea, as has been proven around the world, is that when people have ownership in a property, 1/ they tend to take care of it and improve its value, and 2/ they tend to strive to work and become productive in society to retain the home they have purchased, with 3/ the resulting lower crime, lower welfare, etc.. But what was happening was that ratings agencies would downgrade the banks with bad loans, which meant that their cost of money (deposit rates would go up) and banks would suffer as a consequence. What banks started to do then was to pool their loans into securities and interest below investment grade investors in the capital markets to buy up these first loss tranches, as a basis, as mentioned before, to automatically sell of the investment grade tranches.

When Clinton came in, he expanded Fannie Mae and Freddie Mac's role in this regard, as a way to provide banks with a higher volume of very high quality 20% risk weighted assets to improve their balance sheets further. Basically, this displaced the fledgling Private Label / Private Sector MBS housing market, which would have been bigger than quasi government Fannie Mae / Freddie Mac.

Question: What about Credit Default Swaps and derivative products?

Answer: In the 1980's CDS were used to a large extent by banks to lock in spreads between the interest rates paid to depositors versus the maturities on loans. Banks that specialized in this completely stabilized their profit margins. This continued in the 90's and 2000's with the addition of many other swaps and derivatives, that protected the value of MBS, ABS, commodities trading and pricing, etc..

Conclusion: Under hold to maturity accounting it is absolutely impossible for these deals to unravel, as value of maturities and predominant market contracts and depositor's cash is protected. No matter what disaster external or caused by government, the market may slow down for 3 to 6 months, but it will return quickly, because created wealth and the value of both debt capital and equity capital are preserved and protected for and on behalf of the Private Sector.

Question: You say in your articles that the government's imposition of mark to market accounting on November 9, 2007 is the sole and direct cause for the systemic collapse that started in December 2007 in the US and January 2008 in Europe, which adapted the same IASB accounting rule change requested by the BIS under Basel II, and acquiesced by the EU. Please explain how this happened and the consequence, at least for the US.

Answer: Remembering the introduction above and the way in which the markets work under the hold to maturity foundation of the economics of the bank regulatory mechanism.

As mentioned in the beginning, under hold to maturity accounting, when there are changes in the affordability of mortgages and loans, such as with tax increases, an oil price spike, an oil price collapse in States, where you have a large portion of the economy supporting the oil industry, etc., the principal value of the asset remains intact and only when a loan stops performing does a bank and financial institution have to make loan loss provisions against its capital.

Such losses to capital are then offset by the bank shifting lending of its cash from deposits from Private Sector 100% and 50% risk weighted assets, i.e., consumer, business and housing loans, into zero risk weighted US Treasuries and unconditional guarantees of the Federal government. Again, only calculated losses from specific defaults are booked directly against the bank's capital, with the additional precautions of shifting to US Treasuries zero percent risk weighted assets. The fact of banks having greater percentages of 20% risk weights (AA and AAA rated securities), since the 1990's and the advent of CDS and derivatives was designed to protect against and offset such losses even further.

Question: Do you have a specific example that can compare the differences of how the change in accounting rule from hold to maturity accounting to mark to market accounting resulted in the collapse of bank asset values and bank capital?

Answer: You had an oil price spike from May to November 2007, after 2 years of stability at \$60 per barrel up to \$95 per barrel, every TV news station, Bloomberg, CNBC etc., was talking about the strain on home mortgage affordability. Now, under hold to maturity accounting, where predominant market pricing based on oil contracts prevailed, such spike in oil prices would have been impossible to maintain. We know now that this oil was a manipulation by some of the biggest investment bank's proprietary funds, international hedge funds and oil traders, hoarding tankers of oil, but reporting them as demand versus reserve supply. Under hold to maturity accounting and the consequential predominant market contract pricing, such oil price spike would have been unsustainable, and short sellers, like the example provided above when the Hunt brothers and Arab partners thought they could corner the silver market, would have entered the market and driven oil prices back down, ending the speculative bubble. But these proprietary funds had **insider information** that the government, Congress and their **inside man, treasury Secretary and former Goldman Sachs Chairman Hank Paulson**, would approve the regulatory change through the SEC, knowing that the very day of such approval, banks and institutional investors in the capital markets would be forced to **devalue the principal of all their held to maturity assets** based on the dramatic change in loan affordability due to the oil price spike of 60%, which **losses in Private Sector asset values would have to be booked immediately against the value of all bank's capital**, as well as the value of all MBS and ABS, and to the extent that banks held these assets on their books, their lower rating took them from 20% risk weighted assets to 100% and 50% risk weighted assets. Looking at MBS and ABS, all the loans underlying the maturities on a mark to market basis were effectively worth at least 10% less relative to original affordability formulas.

Question: What was the after effect of this regulatory change over from hold to maturity accounting to mark to market accounting with the Federal government and Federal Reserve alone permitted to value assets on a hold to maturity basis.

Answer: You might say that in a recalculation of the loan, not just the subprime CRA loans, but the solid cash flow based loans would change the tranching of all securities immediately, so that no one knew what their real values were. Without hold to maturity accounting on the one side predominant market pricing, i.e., the financial contracts of borrowers and lenders based on predominant markets contract pricing of banks holding financial contracts to maturity was entirely undermined, opening the doors for speculators to trade markets up and down without resistance. Depositors also had lost their protection under the predominant market contract values based on hold to maturity accounting.

What happened as a result of the devaluation of ALL bank assets was that in order to preserve the value of their capital, banks withdrew lending on a massive basis from their Private Sector 100% and 50% risk weighted assets, i.e., consumer, business, commercial and housing loans and shifted to assets they could value on a hold to maturity basis, namely zero risk weighted assets Treasuries. However the result of this radical withdrawal of credit from the Private Sector to the government was that in one single month of December 2 solid years of growth in every market sector retracted back to 2005 levels, the real proverbial hockey stick decline.

Question: Do you have any other examples of something like this that happened before?

Answer: Well, apart from the Johnson tax increase, the Carter tax increase, the Bush 41 “Read my lips No New Taxes” tax increase, each one resulting in a sharp and severe recession that required a major War to bolster the economy by providing banks with zero % risk weights, something similar to the sudden change but on a micro economic scale to this macroeconomic scale happened in 1998 as a result of a sudden complete default of \$7 billion in Russian bonds. The regulatory impact limited to a few of the biggest international banks, such as Deutsche Bank / Bankers Trust and a few others, was such that they had to immediately deduct that asset loss from their capital, which, based on the average 15/1 leverage of those days, represented in turn a withdrawal of around \$100 billion from the Private Sector markets, predominantly credit lines for businesses and mortgage backed securities, that shifted into zero % risk weights of US Treasuries. The result was a sudden spike in interest rates in the MBS market of around 2%, which affected the highly leveraged Long Term Capital Management, precipitating a loss of \$4.8 billion against leverage of over 250% secured by derivatives and CDS, which would have unraveled causing an even greater disaster to the capital of banks had the Fed Chairman Alan Greenspan not put together a deal where several banks and institutional investors came in and recapitalized the loss to LTCM.

Question: Your example sounds a bit like the situation with Greece in the European Union now.

Answer: Just as a PS, considering the effect of the \$7 billion Russia bond default in a hold to maturity accounting value mechanism, you can see what would happen in a mark to market accounting atmosphere if any of the Portugal, Ireland, Greece, Spain (i.e., the media acronym PIGS) defaulted. It would result in a systemic collapse that would force the Federal government or through the IMF to recapitalize the losses in bank capital to all banks, in effect taking control of their ownership. Thus, this is something that with mark to market accounting, if voters resist further stimulus, or they reject the Financial Reform Act moving through the House and Senate, awaiting reconciliation, they can simply allow the default and take over the entire banking system. So, “the fix is in!” unless hold to maturity accounting is restored and mark to market accounting voided.

Question: You mention that the proprietary funds created the collapse in loan affordability and loss in asset value due to mark to market accounting. Currently, the Administration, several States and Congress are considering the short selling of MBS by Goldman Sachs and others as simply gambling with other people’s money, even if the outcome was to their benefit while their clients took losses. Based on this insider knowledge they would have had from Hank Paulson that markets would collapse and values of MBS unravel, there doesn’t seem to be any risk whatsoever.

Answer: You’re right, Goldman Sachs being privy to not only that the regulatory change was imminent on November 9, 2007, but also having a historical knowledge from the time Hoover implemented mark to market accounting, also at a time when every market was booming and also at the bequest then of Goldman Sachs, JP Morgan and others in 1929 and the subsequent collapse in Private Sector capital formation and credit that ensued, Goldman Sachs, JP Morgan, their hedge fund trading partners, all knew the consequence of the regulatory change, and naturally they took short positions in the MBS they were selling to their clients, which shorts they knew would have no upward resistance or potential short squeeze back to a predominant market contract as under hold to maturity accounting.

They tried to hide these nefarious transactions in off shore tax free locations in Bermuda, the Cayman Islands and others, which enabled them to eventually reap hundreds of billions of USD in offshore profits, if not more. Because such short positions drove the markets downward, and collapsed both MBS and bank capital, you may call it a phrase we hear quite often, “Financial Terrorism,” where one group privy to a unique knowledge and understanding of a market regulatory mechanism, uses it to terrorize a nation.

Question: You say that this December 2007 collapse was just a precursor of what was now possible in terms of unleashing unmitigated speculation that further collapsed the market.

Answer: Without hold to maturity accounting, which would have sustained the accumulated wealth of the Private Sector, and continued the market boom, and the Private Sector forced to revalue all assets downwards, with loss values booked against bank capital, **proprietary funds** having no predominant market value that short sellers could trade oil prices down against, **continued their easy upward manipulations to create a fictitious trend**, as explained before. The creation of such trend was then supported and given credence with more and more Bloomberg and CNBC talking heads, stating that markets were destined to \$200 and \$300 per barrel, coming out to fuel the speculation, as the proprietary funds and oil traders couldn't do this by themselves without some market sentiment now possible in a totally unleashed speculative market, not supporting them. This tactic of hedge funds to create market trends was more typically used in markets where there is **real underlying value in a stock or commodity** that has not been addressed, but in those cases there has to be a substantive value or the market counter forces will immediately return pricing to the predominant market. With the end of hold to maturity accounting for the Private Sector, the affordability of the mortgage and loan payments declining even further, the Fed stepped in and started a reduction of interest rates similar to after 9/11 from 5.5% to 1%, but not over 2 years, rather over 6 months, until even the Fed was drained. The onslaught of oil price spike where the **loss in affordability of ALL loans (not just losses from resolved defaults as in the economic stability afforded under hold to maturity accounting) had to be booked against bank capital** forcing banks to further shift to Treasuries zero % risk weighted assets, because these were the only assets that the banks could value on a hold to maturity basis.

Question: What about the defaults of Lehman Brothers and Bear Stearns?

Answer: Without the shift over from hold to maturity accounting to mark to market accounting, predominant market values and pricing of MBS, commercial paper and other assets these companies specialized in originating acquiring, pooling and securitizing, would have remained intact. However, privy to the knowledge and understanding of the implications of mark to market accounting on the changing of the principal values of mortgages and loans relative to their changes in affordability, at the same time, all the hedge funds and proprietary bank funds and other privy special interests were shorting the major competitors of Goldman Sachs, JP Morgan and others, and because the predominant market contract value of bank assets no longer prevailed, there was no longer protection under those contracts for depositors. Big hedge funds with deposits and credit facilities to Lehman Brothers, the leading market maker on Commercial Paper providing the liquidity of the Private Sector capital markets, and Bear Stearns a major player in Treasuries, built up massive shorts against these companies, 1/ knowing that (a) there was no possibility of a short squeeze and (b) the value of their assets was nebulous under mark to market accounting and the collapsing of bank adequacy on a risk adjusted basis, simply 2/ withdrew their deposits to collapse multi billions of value to zero as with Lehman's, while affecting a cheap sale to JP Morgan for Bear Stearns. The commercial paper market collapsed without its biggest market maker, Lehman's, as well as the entire MBS market. This set the stage, again, for the government and Fed, with their **sole right to value assets on a hold to maturity accounting basis** to step in and set up guarantee markets for private sector commercial paper, again, **forcing the shift of Private Sector ownership and control of capital to the government and Fed.**

Question: What about TARP?

Answer1: Because of mark to market accounting unleashing widespread shorting of the markets and the oil price spike speculation to \$147 per barrel by July 2008, which was behind the steady devaluation (i.e., the loss in affordability of Private Sector loans which had to be booked immediately against bank capital), Paulson and Bernanke came in with several initial proposals for use of funds

These included buying up AAA rated MBS, which represented probably 50%(+) of the MBS market, and under pressure from China to unconditionally guarantee Fannie Mae and Freddie Mac, as under the mark to market, these assets were probably no more than 70% of their original face values (and in other analysis possibly less than 20% their face value, because without lending liquidity, the cash value of deposits could be unrecoverable because there is no rollover of debt possible when all banks are out of regulatory compliance), but, as both Bernanke and Paulson explained to the Senate Banking Committee when requesting TARP funding, which was basically a request to allow the Treasury to make Treasury bonds available for banks to shift their Private Sector lending priced on a mark to market basis over to the government where the same assets would be valued on a hold to maturity basis.

At that time, before national/global TV, when one Senator asked about the risk of the government buying AAA rated debt that might have a value of less than 70% given that there was no lending liquidity in the market, both Bernanke and Paulson chimed in that the government would make a considerable profit, as these assets would be immediately revalued to hold to maturity. No one followed up with the obvious that due to mark to market accounting only for the Private Sector, the government had in effect executed a coup a rip off, a con, a scam, a bait and switch of trillions of dollars of Private Sector wealth, while having the audacity, to paraphrase Obama's book, to blame the Private Sector for a collapse, which the government itself had caused with the help of the same crony capitalists, the Robber Barons of the 1800's and early 1900's as orchestrated the same regulatory change under Hoover in 1929 that with the help of a Federal reserve interest rate spike, abruptly ended the "roaring 20's" market boom, reaping untold wealth to those who had sold out their equity holdings prior to the collapse, and bought them back prior to FDR's reinstatement of hold to maturity accounting in 1938.

Answer2: By September 2008, all value had been sucked out of the economy, and deflation was rampant. The Fed used this opportunity to offset deflation by printing money to **(i)** support the start up of a commercial paper market under various guarantee programs that would shift these bonds into zero % risk weights to bolster bank capital to hold to maturity revaluations, and **(ii)** to buy up AAA rated MBS again as a basis to convert these into Fed guaranteed zero % risk weighted assets with several trillion USD unaccounted for.

Question: Banks seem to have stabilized since September 2008. How did that happen?

Answer: Oil prices returned quickly to \$60 per barrel, and in September CNBC announced that 5 million barrels of apparently hoarded oil came onto the market at once, proving as the CNBC anchor (no longer with CNBC) said, that this was proof that the oil price spike was due to a total market manipulation speculation. He went on for a few minutes about this until several others came out to shut him up. Subsequently he reported that all the proprietary funds of the banks were unraveled without a trace, so that no "smoking gun" could be pointed to.

With oil prices again at \$60 per barrel, banks, which had been forced to take TARP money, started to refinance all their loans. The result was that by April 2009 most of these loans had been refinanced, and the banks were able to write up their capital from the loan loss provisions made without tax consequence, with the biggest banks paying down their TARP funds earlier this year.

Question: What about AIG?

Answer: The government had to buy (bail out) AIG because AIG, as mentioned above, was the biggest generator of CDS and derivative products supporting and sustaining value in Trillions of dollars of bank assets. By the government owning 80% of AIG, all of AIG's assets could be valued on a hold to maturity basis. Otherwise, we would have had a situation as happened with Long Term Capital Management microcosm mentioned before, but on a gargantuan basis that would have melted down the total markets. The easy and instant solution would have been and always has been, that just as FDR did to end the Depression and restore ownership and control of capital and the free enterprise Capitalist system to the Private Sector in 1938, to reinstate FASB 115 hold to maturity accounting.

Question: Do you have any other examples of the consequence of mark to market accounting in collapsing value in the Private Sector?

Answer: 2 immediate well known examples are the April 2009 default of General Growth Properties (GGP) on \$15 billion in AA rated bonds, because there were no longer any Private Sector lenders or lending liquidity. In October 2007, GGP, the biggest owner of retail shopping centers in the world had a market cap of \$37 billion that, as a result of the collapse in Private Sector lending liquidity, was worth zero, with vultures coming in to try to buy up AA rated debt for 20% of its value. Another is the \$65 billion Dubai World bonds, which could not be rolled over, forcing Dubai to turn over a substantial ownership in their assets to the Emir of Abu Dhabi in return for \$10 billion to keep the loans from defaulting. This has been the same for big and small companies across the US and around the world. The government's solution is to create more guarantee programs to wrap Private Sector debt with government and Fed guarantees that shift it into zero % risk weights and hold to maturity valuation.

Question: With all the TARP money given to banks, now over 500 small banks, why aren't the banks making loans in the Private Sector?

Answer: Any bank loan in the Private Sector not approved or guaranteed by a Federal government agency to enable the bank to value the loan on a hold to maturity basis means that with the slightest change in affordability of loans these assets will collapse in value, and as the Fed is at zero % interest rates and the banks already maxed out in US Treasuries, as explained would happen in an example above, it will mean that their capital will simply collapse and they will be taken over by the Treasury under Obama's April 2009 Executive order, which was the same Executive Order that the Chancellor of Germany gave to the Ministry of Finance in 1935, which enabled the German Socialist Republic to take over Germany's entire banking system and auto industry, putting any one who disagreed into internment camps estimated at 10 million Germans, excluding the Jews, which the Fuhrer (Hitler) wanted to terminate to cut off and collapse the heritage of Christianity.

Question: What about the Consumer Finance Recovery Act of Obama, passed recently by the Senate, which Senator Judd Gregg says is a disaster?

Answer: This is the final nail in the coffin of Private Sector free enterprise Capitalist system that ended November 9, 2007 and ushered in the inexorable shift of ownership and control of all debt and equity capital from the Private Sector to the Federal government and Federal Reserve. It converts all "too big to fail" banks into effectively government guaranteed utilities, so that all their assets can be valued on a hold to maturity basis, while requiring all smaller banks to obtain approval from a government agency for any loans they originate, again so that the banks can value these assets on a hold to maturity basis. At the same time it converts Obama's Executive order to Geithner in April 2009 to take over any weak banks to Congressional approval, i.e., approved by the electorate, to allow the weak banks to be taken over by the government or the Federal Reserve.

Question: You mention that the oil price spikes of May to November 2007 and November to July 2007 completely collapsed the capital of Private Sector banks and financial institutions not owned by the government. Please explain this

Answer: These oil price manipulations of 1/ May (\$60/brl) to November (\$95/brl) 2007, which caused a retraction of 2 years of solid growth in the Private Sector in the single month of December 2007, when banks were forced to book losses in loan affordability against their assets and capital, and then 2/ the subsequent unrestricted oil price spike manipulation from November to July (\$147/brl) 2008 of oil hoarded in tankers but registered as sold, completely collapsed the capital of Private Sector banks and financial institutions not owned by the government. Financial institutions, such as AIG, continued to maintain its assets on a hold to maturity basis, as did Fannie Mae and Freddie Mac, which had their assets guaranteed by the government so that they could be valued on a hold to maturity basis.

Question: If this mark to market accounting rule means that any change in mortgage and loan affordability will again collapse bank capital, what will happen in January 2011, when the 10 years Bush tax cut ends and taxes increase dramatically, reducing loan affordability, or Obamacare, where accounting rules require companies to already start setting aside 10% or more of their revenues, or Cap and Trade, which Obama says will increase the cost of electricity by 10%, or Obama's proposed VAT to increase the cost of all consumable items, or another increase in oil prices, which no longer have predominant markets to restrict price manipulation.

Answer: With the passage of the Restoring American Financial Stability Act of 2010 (Dodd Reform Bill) by the Senate and the previous passage of Wall Street Reform and Consumer Protection Act of 2009 ([H.R. 4173](#)) by the House, the reconciliation to follow will mean that under mark to market accounting, all these reductions in loan affordability that you refer to in your question will result in losses to the principal value of all Private Sector loans, so that any banks with Private Sector loans that have not been approved by a Federal government or Federal Reserve agency will have to book such loss against their capital, and will, under the April 2009 Obama Executive Order to Geithner and Obama/ Chris Dodd / Barney Frank reconciled Financial Stability Act, be taken over by the government or Federal Reserve. All other banks will be owned and / or controlled by the Federal government, putting in place what Hitler achieved in 1936, but presumably without the need to put 10 million Germans into detention camps that disagreed with the absorption of all Private Sector wealth into the German Socialist Republic's government collective. You might call what Bush, Obama, the Democrat Congress, Bernanke, a few big banks and hedge funds, Bank of International Settlements (the Central Bank to Central Banks) and others have done is a "kinder and gentler" version of Hitler's Nazism, where the totality of wealth of the nation was usurped without the killing of anyone, largely because they don't know what has happened and truly have been taken in by the con that the Private Sector and its free enterprise Capitalist system were and are at fault, even though in reality, the Private Sector's free enterprise Capitalism ceased to exist on November 9, 2007, and we have been under the regulatory mechanism of Socialism, where, because only the Federal government and Federal Reserve retain the right to value assets on a hold to maturity basis, only they can own and control assets originated in the Private Sector, effecting a coup and enslavement of the entire productive society without their knowledge, believing that this is going to be too complicated for the Private Sector to understand.

Question: Getting back to the first question, why is it that the Democrats in Congress, most of the Republicans, the Bush and now the Obama Administration don't care at all what Tea Party members say or even if 100% of Congress and all Senators up for election become Constitutional Conservatives and talk about individual Liberty, Freedom and returning to the ideals of the Founding Fathers, Christian life, etc.? Why can't they make a difference here?

Answer1: The regulatory basis for Private Sector free enterprise Capitalism, for Private Sector ownership and control of capital, for Private Sector individual rights and liberty no longer exists! Since November 9, 2007, all ownership and control of capital, the very basis for capital formation and access to credit is now entirely in the control of the Federal government and Federal Reserve

Answer2: The regulatory basis for Socialism is that the Private Sector must value all debt and equity capital on a mark to market basis, while all loans by companies protected by, guaranteed by, approved by, owned by the Federal government and Federal Reserve are valued based on hold to maturity accounting, which sustains wealth created by the Private Sector for the sole ownership and control by the Federal government and Federal Reserve, purportedly for the good of the collective. So, as long as the Private Sector does not demand at the Federal level or State level or through the court system the reinstatement of hold to maturity accounting, because the regulatory foundation for the Socialist operating basis system is already in place, with just the final reconciliation of the Obama/Dodd/Frank Financial Stability Act to smooth it over, **they just don't care.** As the con artists say, "The fix is in!"

Question: Well, what if the Private Sector wishes to really restore the ideals of the Founding Fathers, individual rights and freedom?

Answer: Then they have to **1/** educate themselves regarding the economics of the bank regulatory mechanism and **2/** the foundational importance to private Sector free enterprise Capitalism of hold to maturity accounting, and **3/** enforce the reinstatement of hold to maturity accounting (a) at the Federal level, and if rejected (b) through the States 10th Amendment Sovereignty Right, and if rejected, (c) through the Court System, and/or (d) the 5th Amendment Grand Jury, as suggested by Justice Scalia, as the 4th branch of the People. With the reinstatement of hold to maturity accounting the control and ownership of capital will return to the Private Sector and the coup by the government of the wealth and ownership and control of capital over the Private Sector will end abruptly. But then the Private Sector must take up the reigns of Power and reverse all that was done, going back decade by decade, bring in another “Grace Commission” as under Reagan, where many bureaucracies were reduced in size, sunset laws to end bureaucracies put in place, operating efficiencies, as conversion to computers established, tax policies eliminated throughout the entire system, Federal, State, Local, etc.

Question: What about restoring the economy through tax cuts (versus the pending end of the 10 year Bush tax cut in January 2011 and Obama VAT), and tax credits (versus Obamacare and Cap & Trade)?

Answer: Their catch phrase is redistribution of wealth. But if the intent was really to generate greater tax revenues to benefit the poor and under privileged and provide for more job and entrepreneurial opportunity, then 1/ the government would impose the flat tax based on the [Laffer curve](#), through which tax revenues are maximized, as well as economic growth, quality jobs and investment capital, 2/ as government does not create productivity and wealth, the bureaucracy must be reduced, 3/ any spending by the government should be in areas that create productivity gains to the Private Sector, where such spending is repaid reduced from the government debt, so that the cost of money to the Private Sector remains minimal, 4/ all social spending is left to Private Sector charities through tax credits. But most importantly, hold to maturity accounting must be reinstated to the Private Sector, 5/ education should be made available to everyone through tax credits to pay for public schools or private charter schools or prep schools of their choice. People paying into Social Security should have the option to place the funds under management of the Private Sector, where the government is able to use its understanding of the economics of the bank regulatory mechanism to protect against sharp losses and prevent speculative investments.

Question: What would be the result of such a program as you outline above?

Answer: The result of this will be that the wealth deprived the Private Sector through wasteful non productive spending and punitive taxation over the past Century will return to the Private Sector and a truly Golden Age of wealth and prosperity for all will ensue. One needs to just look at the amount of taxes and debt the government has drained from the coffers of the Private Sector individuals, businesses and banks and consider how the economy would look had that wealth been retained by the Private Sector to realize that we would today have an economy at least 5 times greater, with full employment, access to investment capital and credit, pressure for high quality education to a greater number of people, and widespread prosperity in all areas of society.

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The Theory of Banking Economics – The Bank Regulatory Mechanism

Theory: The expansion and contraction of the economy is directly related to the leveraging of the increasing and decreasing values of bank capital, as those values are determined by the changes in (i) the affordability of the monthly mortgage or loan payment (i.e., the strength of the yield of bank assets based on their debt service coverage) and (ii) the risk adjusted ratio of assets to capital.

With this theorem and related Corollaries, the economic outcome of all planned and unplanned programs (such as the effect of tax policy changes, regulatory changes, etc.), of the government and economic events, can be accurately predicted.

The theory of the economics of the bank regulatory mechanism as the operating system for Capitalism:

This exposition regarding **Capitalist system's operating mechanism, i.e., the bank regulatory mechanism**, explains how and why value is created, determined and arbitrated through the interrelated rules of the bank regulatory mechanism, and not by an independent market pricing, as assumed. Capitalism is a system / mechanism intended to preserve and secure accumulated wealth.

The mechanism has 3 basic components, the 3rd being critical to uphold value established by the 1st two:

1. **Lending liquidity**, which is established through the value mechanism of the risk adjusted ratio of bank assets to capital,
2. How those assets values are determined and maintained through specific formulas and rules that determine the **principal value** of term contracts re mortgages and loans originated by banks.
3. The regulatory framers required that the key to the stability of (i) lending liquidity and (ii) a floor to both debt and equity value is **hold to maturity** (HTM) that upheld the value of term contracts.

Here below are some of the weblinks to the articles and economic papers that explain the real cause for the global collapse.

The point that will be demonstrated is that even though the US, European and some Asian governments, whether on the left or right continue to malign and vilify bankers and the Private Sector for causing the global collapse, pointing to the greed inherent in Capitalism, in fact Capitalism is not cause the collapse nor the banks, insurers or Private Sector, whether consumers, home buyers, businesses, corporate management, mortgage bankers, etc.. Due to a critical regulatory change, Capitalism ended in the US November 9, 2009 and for most of Europe and the rest of the world that adapted the same regulatory change early in Jan 2008. This will show that a clearer understanding of how the bank regulatory mechanism works can become the basis for a strong economic recovery for Thailand, and lead the way for other Asian countries.

The real cause for the economic collapse: (a 56 page economic thesis)

http://www.admc24-7city.com/files/V/the_financial_crisis_-_the_real_causes_050409.pdf

Article re the Capitalist mechanism (discusses "predominant markets"):

<http://admc24->

[7city.com/files/V/capitalisms_economic_mechanism_vs_socialisms_economic_mechanism_061209.pdf](http://admc24-7city.com/files/V/capitalisms_economic_mechanism_vs_socialisms_economic_mechanism_061209.pdf)

Here is another article that could be a good introduction to the others already provided:

The Secret of Capitalism - 1996:

http://www.admc24-7city.com/The_Secret_of_Capitalism/The_Secret_Of_Capitalism.pdf

Related Capitalism Diagrams:

<http://admc24-7city.com/TheoryBankingEconomicsDiagrams>

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