

SCOTLAND: A NEXUS FOR TROUBLE?

[NB: Check the byline, thanks! /~Rayne]

I started writing this post back in early 2018. Might even have been very late 2017, I can't tell now. Something about Scotland bothered me at the time even though I'm a keen fan of the country.

Now I'm even more bothered than I was when I first started putting words together about Scotland.

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There is an old maxim for which I can't find attribution: "He who holds Stirling, holds Scotland." Stirling is smack between the Scottish Highlands and Lowlands, on the Central Belt of Scotland – the country's heart. The saying may once have referred to Stirling Castle, but one might wonder if it means something more today.

The University of Stirling, eighth largest in Scotland, is built on the grounds of a different castle. A public school founded in 1967 by royal charter, the school is relatively young compared to University of St. Andrews (1410) and University of Glasgow (1451). It's comparable in size to small American state universities. It reorganized in 2016 into four faculties and two schools – faculties of Social Science, Arts and Humanities, Natural Science, Health Sciences and Sport, Stirling School of Management and Stirling Graduate School.

It's the Faculty of Arts and Humanities to which I want to draw attention, as it includes the London Academy of Diplomacy.

You may also know this as the school which employed Professor Joseph Mifsud, the Russian agent who told Trump campaign foreign policy adviser George Papadopoulos that Russia had Hillary Clinton emails.

You probably read reporting on Mifsud's mid-2017 disappearance. If you haven't, check out the detailed profile on this archived page and the University of Stirling's student newspaper online. Read them while you can; our fellow contributor Jim White noted in January 2018 how Mifsud's profile online was being scrubbed (indeed, the underlying source for the archived site above has an odd habit of going offline erratically).

What puzzles me after reading quite a lot about Mifsud: how did the London Academy of Diplomacy end up at Stirling – who suggested it, set up the curriculum, funded it?

Why does LAD look like a clone of DAL – the Diplomatic Academy of London – but located in Stirling instead of London?

And why Stirling, Scotland, located a mere 17 miles from Gleneagles Hotel, far away from the United Kingdom's diplomatic action? Its population is around 36,000, it's located inland away from an ocean port, and it doesn't even have an airport.



Even smaller Gleneagles is an interesting location; the site is beautifully rural and easy to secure. It's been used for a G8 meeting for this reason.

Mifsud is very little less of a mystery now than he was 18 months ago, but there's more not quite right about Scotland when it comes to U.S. politics.

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Why, for instance, did Steve Bannon show up at a "secret" meeting hosted by think tank Scotland International Ltd. (SIL) at Gleneagles in early

December 2017? SIL was founded and funded by investment banker Sir Angus Grossart; the think tank hosts a “secret” meeting each year.

Bannon also met with former Ukip leader Nigel Farage and Tory MP Jacob Rees Mogg that same trip – both of whom are staunch Brexit supporters.

Scottish papers didn’t stint when labeling Bannon and his presentation; he was called “dangerous” and a “far right agitator” and his reception was described as chilly.

Bannon’s appearance at SIL also hasn’t aged well; his host Grossart received the Pushkin medal from Putin in October 2018, which didn’t agree with Scotland and the rest of the UK after the Skripals’ poisoning. Why does Bannon’s circle have so few degrees of separation from Russia and Putin, even in Scotland?

It may be the relationship between the so-called “economic nationalism” Bannon claims he espouses and Putin’s desire to destabilize the EU and NATO. Grossart is also the chairman of Charlotte Street Partners (CSP), a lobbying group which sought to disrupt education reform:

“... Proposals from the Scottish Government sought to expand democratic decision making in higher education, following previous conflict over departmental cuts and excessive salaries for top university officials.

While the proposals gained support from staff trade unions and student groups, universities management representatives criticised the plans and claimed that the bill threatens the charitable status of universities. ...”

Why was there such invested effort in mucking up government and organized labor and student groups? CSP’s work looks like that of the U.S. right-wing think tank Mackinac Center for Public Policy, funded in part by the DeVos family.

Mackinac Center has been intent on shaking out government funding to redirect to private charter schools (school choice), undermining collective bargaining power, while promoting hijacking teachers' union retirement funds to private investment management.

Is Grossart looking to sink his chops into management of Scottish teachers' pension funds if Scotland's government is rattled by whatever happens after Brexit?

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It was our illustrious Treasury Secretary Steve Mnuchin who first triggered my spider senses about Scotland, what with his sketchy request for a military plane for his vacation, including his honeymoon with Scottish actress Louise Linton during early August 2017. A subsequent investigation by the Office of the Inspector General for the Treasury Department indicates Mnuchin's office requested the plane on August 1 for a trip beginning August 3, and that the request was withdrawn.

That trip and any others Mnuchin took using military planes should be the subject of a House Oversight Committee hearing if not House Armed Services Committee if they investigate military aircraft flying to airports or bases near Trump hotels or resorts.

What I want to know now, though:

- Did he conduct *any* U.S. Treasury business while on this August 2017 trip? If so,
- Did this trip take him to the airport closest to his in-laws' digs near Edinburgh, Melville Castle?
- Or did Mnuchin's trip in August 2017 fly into Glasgow Prestwick Airport near Trump's Turnberry golf course, whether or not he flew on a military aircraft?
- Were any accommodations during this trip paid for by Mnuchin or were they charged to the U.S. government, and were those charges

audited against any U.S. government
business conducted during his trip?

Assuming he did U.S. government business I'd expect no less from Mnuchin's expense reporting than I would at a Fortune 500 company – all government business fully documented and accounted for with receipts.

Mnuchin's first trip requesting and using a military aircraft was in March 2017 for the G-20 event; the routing on the aircraft request was for London/Berlin/Baden-Baden. But did this military aircraft stop at Prestwick?

Was Mnuchin's second flight using a military aircraft in May 2017 to Bari, Italy a direct flight from the U.S., or did it stop at Prestwick?

It's odd that both trips were so close in total amount of aircraft time – 18.83 hours for the first trip, 19.66 hours for the second trip. Very odd.

Odder yet: for Mnuchin's eighth trip using a military aircraft, this time to the Middle East in October 2017, there's no reported total aircraft time in the memorandum from the Treasury's OIG (pdf). The investigation into the previous seven flights was conducted before the Middle East trip.

How convenient.

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Glasgow Prestwick Airport, of course, is the one that U.S. military planes have been stopping at for refueling while their crews and passengers stay at nearby pricey Trump golf resort, on the Department of Defense's dime. Our dime.

One of my sharp eyed followers said there was a USAF transport in the latest Google Earth image on #Prestwick airport. Its true. It's a KC-135 Stratotanker. #PerDiemGate #Scotland pic.twitter.com/OFJXt2BQQ5

– Malcolm Nance (@MalcolmNance)

September 7, 2019

If you follow the tweet above you'll note someone determined the date of this Google Earth photo – June 17, 2018 – which means the U.S. military had been boosting Glasgow Prestwick Airport and possibly Trump Turnberry as well. The House is now looking into this.

When was the first U.S. military plane refueling visit to Prestwick, though? Was it August 2017?

No, it looks even earlier, and on Jim Mattis' watch as then-Secretary of Defense (note the date, description, and content on the photo at the top of this article). But this doesn't answer whether Mnuchin's borrowed planes also sponged off taxpayers to line Trump's pockets.

We don't know what other executive branch departments have borrowed military aircraft and/or stayed at Trump hotels and resorts yet, either.

There also doesn't seem to be a good explanation for why U.S. government aircraft have increasingly stopped at Glasgow Prestwick Airport *before* Trump was inaugurated.

... The Air Force's use of the Prestwick airport has also steadily grown. Indeed, the use of the facility has nearly tripled – and overnights in the area increased more than five-fold, the Air Force acknowledged Sunday.

From 2015 to 2019, they said, Air Mobility Command aircraft stopped at the civil airport 936 times. Of those, crews stayed overnight in the area 659 times.

The frequency of the stops and overnight stays has increased steadily each year, from 95 stops and 40 overnights in 2015; 145 and 75 in 2016; 180 and 116 in 2017; 257 and 208 in 2018; and 259 stops and 220 overnights through August 2019. ...

This doesn't help appearances whatsoever:

The Trump Organization and Prestwick also announced a partnership in 2014, per this release.

pic.twitter.com/Zh1PKn0N1i

– Natasha Bertrand (@NatashaBertrand)
September 9, 2019

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This post is a bit clunky because I've strung together bits and pieces accumulated for nearly 18 months.

But whatever is going on in Scotland is just as clunky and badly in need of sorting.

THREE THINGS: FLYING MOOCHIN' MNUCHIN AIR

Usually when I pull together a Three Things post they're unrelated topics worth a quick look but not necessarily a full-blown post. This time these three things are related and I can't write a post on each one because my blood pressure won't handle it, thanks to Moochin' Mnuchin.

~ 3 ~

Citizens for Responsibility and Ethics in Washington (CREW) recently FOIAd Treasury Secretary Steve Mnuchin's travel data. You've probably heard by now about his use of military aircraft for eight trips costing nearly one million dollars. CREW looked at the regulations covering government travel and authorization for spending. Take the time to read their work, it's worth the effort.

And then read the FOIAd records CREW shares, but only after you've taken your blood pressure

medications and/or prepared for a tooth-grinding tension migraine. There were repeated indications to Mnuchin and staff these trips were expensive – one cost \$26,953.33 when commercial airfare for the same trip was \$688 per person.

It's this trip which first made me do a double take, because Mnuchin's plane was on the ground in Miami on June 15, 2017, for a mere two hours and 45 minutes or less.



Mnuchin traveled to Miami to attend the Conference on Prosperity and Security in Central America held at FIU's campus, roughly 15 minutes by car from Miami International Airport. Assuming the travel times were prompt and on the mark, Mnuchin made it to the conference for a fucking two-hour lunch.

An institutionally-prepared \$13,476-an-hour lunch.

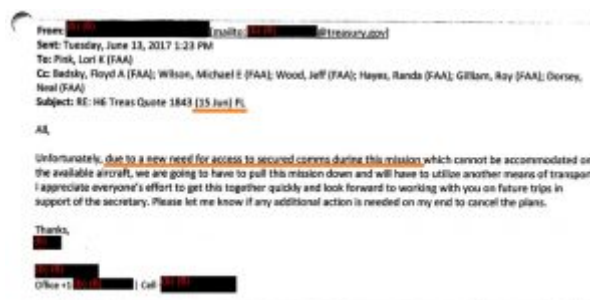
But get this – here are the other U.S. attendees at this event:

U.S. Vice President Mike Pence, Secretary of State Rex Tillerson, Secretary of Homeland Security John Kelly, and Secretary of Treasury Steven Mnuchin co-hosted the Conference on Prosperity and Security in Central America in Miami, Florida on June 15-16, 2017 with Mexican Foreign Secretary Videgaray Caso, Interior Secretary Osorio Chong, and Secretary of Finance José Antonio Meade Kuribeña, and attended by President Jimmy Morales of

Guatemala, President Juan Orlando Hernández of Honduras, and Vice President Oscar Ortiz of El Salvador. Other meeting participants included U.S. and Latin American private sector leaders, senior government representatives from Belize, Canada, Chile, Colombia, Costa Rica, the European Union, Nicaragua, Panama, and Spain, and leaders from the Inter-American Development Bank, the International Monetary Fund, and the World Bank. ...

Mnuchin was a bloody co-host. Why did he not travel with one of the other co-hosts? Why did he have to commission his own military aircraft instead of tagging along with another cabinet member? Or even the vice-president?

Mnuchin's use of military aircraft was repeatedly justified by the need for secure communications. The June 15 trip to Miami was one such occasion; a call on the return leg needed an aircraft on which persons without adequate security clearance would be traveling.



CREW noted this as well:

Two days before the scheduled departure, Treasury advised the FAA that “due to a new need to access to secured comms during this mission, which cannot be accommodated on the available aircraft, we are going to have to pull this mission down and will have to utilize another means of transport.” (UST 00024). The call was scheduled during the two and one-half hour return flight

(UST 000063). The use of a military aircraft increased the cost of the approximately two-hour flight to \$45,136 (UST 00003). In other words, a scheduling conflict that the Secretary apparently did nothing to avoid cost the government an additional \$18,000. Of note, the five listed individuals on the manifest could have made the same trip on a commercial aircraft for approximately \$3,440 (or \$688 per person, UST 00001). ...

Again, Mnuchin was a conference co-host. There were other cabinet members traveling to Miami. What was so bloody important that he couldn't travel earlier with the rest of the U.S. co-hosts? Why did Mnuchin schedule a call needing secure communications two days before the trip?

And why over the last year was there repeated insistence on the availability of secure communications, unlike Mnuchin's predecessors? What changed so dramatically about the Treasury Secretary's job?

What might have been happening on June 15 about which Mnuchin knew more than 48 hours in advance?

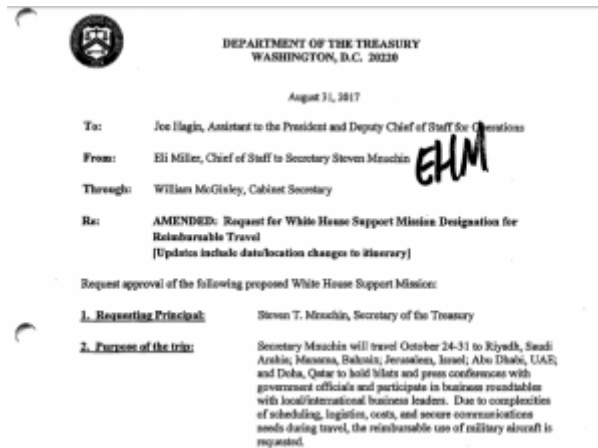
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Remember last year when I noted the odd timing of Jared Kushner's unannounced, unpublicized trip to Saudi Arabia during which he had a pajama party of sorts with Crown Prince Mohammed bin Salman where they discussed who knows what?

It seemed quite the coincidence that Kushner arrived during Treasury Secretary Mnuchin's publicized trip to Saudi Arabia. What incredible timing!

Except it wasn't a coincidence. Our forgetful Boy Wonder was on the same goddamned military aircraft with Mnuchin, who had insisted on a military plane for access to secure communications.

Here's a screenshot from page 57/126 (from document 2018-2-15-Production-redactions-applied.pdf via CREW), an amended request to White House by Treasury for mission support, required to obtain a military aircraft. Note the Requesting Principal and the trip's purpose as well as the date, August 31:



Here's a screenshot of page 59/126 from the manifest included with the same amended request:



Kushner isn't mentioned in the request or the agenda except as a line item in the manifest; he appeared to be included in every leg of this trip, including a visit to United Arab Emirates and Qatar. There's an awful lot of redacted material related to this trip, too, big swaths blanking out what could be entire emails or attachments.

Worth noting the FOIAd documents dated July 25 reflect this Middle East trip was originally scheduled for September; by August 31 the trip has been pushed back to October. The mission requested a plane with secure communications capability from the first, which does make sense

in this case given the level of discussions being held between Treasury Department, Saudi Arabia, UAE, and Qatar.

But the frequent insistence on secure communications capability and Kushner's presence on this October trip spawns several questions: is the use of military aircraft a flying backchannel? Is Mnuchin equally invested in the use of a backchannel?

Was this trip really another negotiation related to the blockade of Qatar and was Kushner involved for that reason? Is this why his presence wasn't openly communicated?

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And then there's the possibility Mnuchin took his spouse, our generation's Marie Antoinette, for a vacation in Edinburgh, Scotland and other European locations using one of our military aircraft. I may have an aneurysm if I don't stop here. Just look at the itinerary on page 66/126 and tell me what you make of it. I can't find coincident formal events scheduled for Scotland or Italy, or for virtual attendance during this trip's time frame. CREW reported the trip was their goddamned honeymoon (modifying epithet all mine).

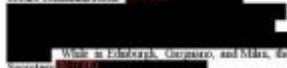


DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20219

August 1, 2017

To: Joe Hagin, Assistant to the President and Deputy Chief of Staff for Operations
Through: William McGaley, Cabinet Secretary
From: Ek Miller, Chief of Staff to Secretary Steven Mnuchin
Re: Request for MiAir support for (b) (7) Communications during Travel

Request approval of the following proposed reimbursable mission:

1. Requesting Principal: Steven T. Mnuchin, Secretary of the Treasury
2. Purpose of the trip:  Secretary Mnuchin will be on a personal trip to Edinburgh, Great Britain, Paris, France, Garmisch, Italy, and Milan, Italy. While on travel, he will be meeting with the French Finance Minister. Throughout the trip, the Secretary needs to be able to receive, review, and participate in scheduled Secure Calls and potential NEC/NDC-PC meetings, among other Treasury responsibilities. We have requested access to secure communications  While in Edinburgh, Garmisch, and Milan, the Secretary 

Did Mnuchin and Linton seriously tie up a military aircraft so they could go walkabout in Scotland? Let me guess Linton is a big fan of the premium cable show Outlander and she wanted

to take in the show's shooting locations. The sole argument presented for the use of our military aircraft is "to be able to monitor issues [redacted], and participate in scheduled [redacted]" and the need for access to secure communications.

Don't we have an undersecretary or a deputy to do whatever [redacted] so Mnuchin can take his honeymoon on his own time, on his own dime? Or is [redacted] something in which nobody else should be involved?

Go ahead and argue this trip request says it's a "reimbursable mission." This request is dated August 1, and his trip was from August 3 through August 12. This means our government personnel had to drop everything else they were doing during what is traditionally a short-staffed month and scramble to get this aircraft and crew and flight plan together *for his damned honeymoon*.

I suppose I should be less surprised by this wasteful crap bordering on theft after Mnuchin unnecessarily flew by military plane with the same high maintenance prima donna spouse to Fort Knox, just in time on August 8 to observe the rare complete solar eclipse.

I'm still suspicious of Mnuchin's need for an entire bloody military plane and crew for his honeymoon so he has access to secure communications. Again, is this a flying backchannel he's using? Does his wife have a security clearance necessary to hear whatever it is that's so secret that he has to do it while on his honeymoon?

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This is an open thread. Bring your pitchforks and torches.

10 YEARS OUT: WHAT'S WITH THE BEAR IN THE MIDDLE?

[NB: Check the byline – it's me, Rayne. I am not a registered financial representative or a lawyer; this post is based on my own observations and opinions. As always, your mileage may vary.]

On a chilly March evening ten years ago tonight, I was yelling at loved ones: *Sell. For gods' sake, SELL.*

My own household had moved its investments from a number of mutual funds to guaranteed income. Every fund in the portfolio to that point contained a chunk of an investment bank and was therefore exposed to what I felt was sure to come.

It was obvious to anyone who was really paying attention that something was really off. Trying to buy a house in 2004 was almost impossible where I live, in spite of the ongoing migration of manufacturing jobs offshore. In the target price range for a 2000-square foot house, there were only a handful of homes listed and they all needed more than \$50K in improvements. The nearby farmers' fields were full of a new crop: single-family homes, mostly 3-bedroom and up, had eaten acres and acres in less than a year. It was insanity – there was no way this pace could be maintained, not with my state's problematic over-reliance on the automobile industry.

Instead of buying an existing home, I built a new one. It didn't make sense to spend \$50K on improvements requiring a lot of construction if I couldn't guarantee I could hire a contractor when new construction was so hot. I didn't build in the top end neighborhood, either. I left myself some room in case I had to leave the area quickly for a new job; I also left room for the market to improve.

Except it didn't. The last landscaping contractor must have pulled away from my new home in 2005 just as the bubble began to deflate. There were signs it was going to get worse, too, what with fuel prices skyrocketing. Banks increasingly offered crazy terms on mortgages just so they could something, anything, not taking the hint the market was saturated. Given the number of people relying too heavily on adjustable rate mortgages with ridiculously low entry rates, the increased gasoline price costing the average family more than \$1000 a year was certain to cause credit card defaults and foreclosures.

Something ugly was coming.

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In March 2008 – almost exactly a month after the Washington Post published an op-ed by New York's then-Governor Eliot Spitzer exhorting action on subprime mortgages – 85-year-old American investment bank Bear Stearns crashed and burned.

After urgent, fancy foot work by the Federal Reserve Bank, J.P. Morgan and other key investors, settlements were made with bail out money and remnants of the firm were ultimately snapped up by J.P. Morgan for what amounted to the cost of Bear Stearn's headquarters building, about \$2 per share. By St. Patrick's Day, Bear Stearns was no more, completely subsumed.

It would be another six months before the next large investment bank crashed – Lehman Brothers – taking the global economy with it.

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At the time the crash was blamed on lax controls on lending to home buyers, encouraging an excess of subprime mortgages, combined with investment banks' more recent taste for collateralized debt obligations bundling mortgages into tranches for slicing up and trading.

But not all of the trash loans were residential mortgages stuffed into tranches. Some of the

loans were to developers and contractors who were building commercial facilities and multi-family buildings. Some of these loans were packaged into funds which were more like offshore corporations.

The two funds triggering Bear Stearns' meltdown were just that: offshore funds incorporated in the Cayman Islands in 2003, holding various assets including tranches of poorly-collateralized mortgages, managed by Bear Stearns Asset Management (BSAM). What mortgages were in these two funds the public doesn't really know; were they single-family residential mortgages or commercial facilities mortgages, or some combination? The information is out there somewhere but it's not at the public's fingertips.

The financial media still paints a messy picture even a decade later, blaming Bear Stearns management but not its own persistent failure to provide a more comprehensive and accessible picture of the financial industry's health.

These two funds collapsed because too many mortgages within their CDOs failed; the effect on the bank was like pulling out two critical load-bearing pieces in a game of Jenga. The cascading demand for cash to resolve the failures may have pushed other investment banks' equally sketchy funds to fail as well, crashing the entire heap nearly a decade ago.

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It was a surprise blast from the unpleasant past to see Bear Stearns' name pop up in the middle of recent testimony before the House Permanent Subcommittee on Intelligence. Fusion GPS' Glenn Simpson cited the investment bank as a source of financing for Donald Trump and some sketchy condominium development.

[SIMPSON]... There's the Trump vodka business that was earlier. And then ultimately, you know, what we came to realize was that the money was actually coming out of Russia and going into his

properties in Florida and New York and Panama and Toronto and these other places.

And what we, you know, gradually began to understand, which, you know, I suppose I should kick myself for not figuring out earlier, but I don't know that much about the real estate business, which is I alluded to this earlier, so, you know, by 2003, 2004, Donald Trump was not able to get bank credit for – and if you're a real estate developer and you can't get bank loans, you know, you've got a problem.

And all these guys, they used leverage like, you know, – so there's alternative systems of financing, and sometimes it's – well, there's a variety of alternative systems of financing. But in any case, you need alternative financing.

One of the things that we now know about how the condo projects were financed is that you have to – you can get credit if you can show that you've sold a certain number of units.

So it turns out that, you know, one of the most important things to look at is – this is especially true of the early overseas developments, like Toronto and Panama – you can get credit if you can show that you sold a certain percentage of your units.

And so the real trick is to get people who say they've bought those units, and that's where the Russians are to be found, is in some of those pre-sales, is what they're called. And that's how, for instance, in Panama they got the credit of – they got a – Bear Stearns to issue a bond by telling Bear Stearns that they'd sold a bunch of units to a bunch of Russian gangsters.

And, of course, they didn't put that in

the underwriting information, they just said, we've sold a bunch of units and here's who bought them, and that's how they got the credit. So that's sort of an example of the alternative financing. ... [bold mine, excerpt pages 95-96]

The timing mentioned, 2003-2004, is very close to the time that Bear Stearns launched the two Cayman-based funds which failed first. Is it possible Trump's financing provided by Bear Stearns ended up in the funds' CDOs? Probably not – Simpson refers to bonds. But let's look at a financial statement from one of the subject funds:

The image contains two screenshots of financial statements. The top screenshot is a balance sheet for a fund as of December 31, 2004. It lists various assets and liabilities in multiple columns. The bottom screenshot is a 'Condensed Schedule of Investments (continued)' for the same date, providing a detailed breakdown of the fund's investment portfolio, including categories like 'Mortgage-Related Securities', 'Corporate Bonds', and 'Other Securities', with columns for 'Amount', 'Percentage', and 'Fair Value'.

It's difficult to tell what's in any of the CDOs listed in this summary. Who knows what mortgages are in them or from where they originated without access to more details?

Note the bonds at the bottom – again, what's in them? What percentage of these bonds consisted of dicey or outright fraudulent financing for construction related to money laundering? Again, we can't tell without access to more granular details. We don't know whether bond(s) offered to Trump developments were in Bear Stearns' first two failed funds or if they helped cause the eventual financial pyroclastic flow toward Bear Stearns' end.

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Another thing sticks in my craw – a bit from Michael Lewis' *The Big Short*:

The bond market, because it consisted mainly of big institutional investors, experienced no similarly populist political pressure. Even as it came to dwarf the stock market, the bond market eluded serious regulation. Bond salesmen could say and do anything without fear that they'd be reported to some authority. Bond traders could explore inside information without worrying that they would be caught. Bond technicians could dream up ever more complicated securities without worrying too much about government regulation – one reason why so many derivatives had been derived, one way or another, from bonds. ... *[bold mine]*

In other words, nobody would look askance at all at bonds sold to finance a condominium development with rather thin commitment to payment. Nobody looked askance at the ratio of CDOs to bonds, either, though Bear Stearns would try to offset the CDOs' losses by liquidating bonds. This fund as an example couldn't manage this offset based on the ratio alone; it would have been catastrophically worse if the collateral beneath the bonds was as fraudulent as many subprime adjustable rate mortgages in CDOs were at the time.

The root cause of the 2008 crash remains the collapse of poorly collateralized as well as fraudulent mortgages. But I have to wonder:

- With so much attention on CDOs and mortgage defaults combined with a lack of bond market adequate monitoring, how much did crappy bonds, based on fraudulent representations of collateral, contribute to the crash?
- If there was so little regulation and

oversight of the bond market, how much sketchy or fraudulent project financing was in bonds on the banks' books – including projects like Trump's, based on promises to pay made by offshore vehicles or non-U.S. citizens?

– With so little regulation and oversight, would it have been possible for one or more nation-states using offshore finance vehicles to “weaponize” banks' books? How many of the crappy bonds contributing to the 2008 crash were based on poorly collateralized pre-sales to Russian oligarchs and gangsters?

– What assurances do we have today – especially with Mick Mulvaney defunding the Consumer Finance Protection Bureau and knocking off an opportunity to look more deeply into credit reporting by killing off the Equifax investigation – that investment banks have changed their practices and ensured legitimate projects are financed?

–What assurances do we have that our legislators see the slippery slip when they approve legislation like S. 2155 just this week, weakening Dodd-Frank reforms?

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Recall the state of the economy between Bear Stearns' and Lehman Brothers' crashes. Oil prices rose to over \$150/barrel, resulting in \$4/gallon gasoline. Other commodity prices rose in tandem with fuel prices. The home buyers who could least afford any change in their household expenses were the same ones targeted for subprime mortgages with shady terms; it came down to paying for gas to get to work and feeding the family, or making the mortgage payment.



The price of oil at the time had been driven up by excess speculation. Legislation passed in June 2008 requiring all commodity futures trading to require a minimum of 30% margin upfront rather than 10%. Oil prices dropped drastically and reduced in volatility almost overnight, but it was already too late. Too many home buyers could no longer afford their payments and mortgage defaults began to snowball.

Which brings me to yet another question: if the bond market could have been “weaponized” at that time, could a volatile commodities market likewise have been used as a trigger?

Are there any other weak points in our market which could be “weaponized,” for that matter?

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On this tenth anniversary after the crash began with Bear Stearns’ collapse, I feel more secure about my retirement portfolio. There were no frantic phone calls to family members exhorting moves to safety this evening. My exposure to the remaining weaknesses of investment banking have been minimized as much as possible, though I remain vulnerable because I have a mortgage. Real estate isn’t the sure return it once was. Only uber-wealthy investors buying into certain urban markets come out on top. But wealthy real estate investors can still cause self-inflicted damage.

Atlanta, Georgia’s market has turned around since the crash – but it was home to another failed Trump real estate project, a 363-unit

Trump Tower which went into foreclosure with pre-sales of only 100 units. (In January 2017, Trump ranted about Atlanta as Rep. John Lewis' district, calling it "falling apart" and "crime infested." One wonders what crime he meant...)

Hollywood, Florida had a brush with a failed Trump project:

In 2006, he and billionaire condo king Jorge Perez began selling a 23-story apartment building near Mar-a-Lago, but the project was abandoned a year later because of slow sales. Another Perez-Trump deal, the 200-unit Hollywood oceanfront tower, was foreclosed in 2010 after selling less than 15% of its units. (The building eventually opened, still Trump-branded, but without Perez.)

So did the Miami, Florida area:

Trump Sunny Isles, a three-tower residential complex outside Miami, has also struggled. Trump partnered with Perez again and another developer named Gil Dezer to build the project, which targeted wealthy Latin Americans. . . .

Unfortunately, the last two towers of the development opened in the middle of the financial crisis, and Perez bailed on them. . . .

And Puerto Rico, too, was home to a Trump-branded golf course which failed in 2015.

Though with so many failures followed by continued attempts, it's worth asking if this is a business model. How does Trump continue to benefit from so much failure? How do the backers he has benefit from staking Trump money or title?

Trump's business alone wasn't the cause of the 2008 crash. There were far more players involved – millions, if we want to blame residential homeowners who were misled by banks to believe

they could safely contract a mortgage in spite of either inadequate collateral or income and ultimately forced into foreclosure. But at least one of Trump's business projects was in the mix if Fusion's Simpson's testimony is truthful; what would keep Trump or real estate investors like Trump from contributing to (if not causing) another crash today?

We must ask when we see that Trump's former campaign manager Paul Manafort and his former son-in-law Jeffrey Yohai were engaged in sketchy real estate development projects the community/regional Banc of California may have deterred by forcibly shutting their accounts.

And ask again when we see a community bank like The Federal Savings Bank of Chicago involved in another of Manafort's bank frauds.

The damage could be even worse, in the case of Trump's son-in-law Jared Kushner, who is over his head in debt on 666 Fifth Avenue and whose family business is distressed, possibly causing geopolitical turmoil to shakedown new financing.

How many of these flimsy real estate deals and junky mortgages, loans, and bonds are there in the system when we can now see these affiliated with the president and his campaign advisers? How many of them will it take to cause another crash if legislators continue to pick away at safeguards?

Let's hope I'm not writing another financial postmortem like this one in March 2028.

NEOLIBERALISM HELPED SYRIAN BANKS EVADE SANCTIONS

I've written a lot about how neoliberalism has

been counterproductive for any soft war we're waging against ISIS, Russia, or China. We keep forcing allies and client states – including post Arab Spring Egypt and, especially, Ukraine – to adopt neoliberal policies. That creates more instability at precisely the time the new regime (like it or not) is trying to consolidate.

Neoliberalism doesn't offer much benefit for many of the hearts and minds we'd like to win over.

But it has helped someone.

According to this fascinating WaPo analysis (and underlying study), the reason Syrian elites and their banks have been able to withstand sanctions is because Bashar al-Assad adopted (mixed) neoliberal policies when he assumed control. It created an interconnected elite whose ties with Assad were more inextricably linked than they had previously been, such that people doing business with sanction targets have too much invested in the regime itself to stop doing business with the sanctioned entities.

Bashar aimed to revamp the three decades of populist structure in an 'authoritarian upgrading' to pursue neoliberal economic policies, eventually shifting public assets to a network of crony capitalists close to the regime. The abandonment of socialist policies in a post-populist era culminated with the establishment of the Damascus Securities Exchange (DSE) in 2009. The number of firms listed on the exchange has since grown, even after 2011, and currently comprises 23 companies spanning sectors such as transport, media, industry, agriculture, banking and insurance.

[snip]

The newly established Syrian private banking system redistributed the monopolistic market share of public

banks with private lenders, while maintaining a degree of protectionism so the state-owned banks preserved their banking services monopoly. This arrangement was part of what Raymond Hinnebusch termed a 'middle way' of allowing the expansion of the private sector while ostensibly reforming state owned enterprises.

The booming private banks attracted politically connected businessmen, including many former politicians and senior security officials, natural partners for foreign institutional investors for whom a 49 percent Syrian ownership was required for an operating license until 2010.

[snip]

Thorough review of disclosures made by publicly listed private banks on the DSE indicate a similar trend, in which prominent Syrian businessmen— some of whom have been sanctioned for their support to the regime— own a substantial number of shares and even sit on the board of directors in multiple banks. As my research shows, there are at least 23 individual investors whose shareholdings exceed 1 million shares. With more than 36 million shares in aggregate, these individuals make up at least 4.5 percent of overall shares of private banks and 11 percent of total retail investors' stock ownership.

This is symptomatic of the emergence of a new generation of 'regime businessmen,' whose relationship with the state transformed from a de facto alliance since Bashar al-Assad came to power to the central backbone of the regime now. Through joint business ventures and inter-family marriages, this alliance translated into the regime businessmen's dominance of profitable

sectors, including energy, banking and finance, construction, and tourism, and has in turn ensured the regime's economic survival.

[snip]

Most of these businessmen have substantial investments in the country that outweighed their overseas assets and commercial interests. Their inextricable connections with the ruling political elite have made them highly invested in the survival of the regime.

I suspect the same is true of Russia.

That's not all that surprising. With the exception of the largest banks, our business elite is pretty committed to the US regime, largely as a result of the cronyist benefits that those ties afford.

Indeed, the analysis raises more general questions about whether neoliberalism makes dangerous regimes more resilient.

But I also note the irony.

THE GOVERNMENT'S DATABASE ARBITRAGE

I have long believed that the government put Iran on its list of approved target countries under the Section 215 dragnet not to use for counterterrorism purposes (the terror Iran seems to have sponsored of late is largely US generated), but instead to support sanctions.

Yesterday, the government claimed it has been using a drug trafficking database (one described differently than Hemisphere) to support sanctions on Iran.

At least that's the implication of the declaration unsealed in the Shantia Hassanshahi case submitted in response to the judge's order for more information on how it had identified the defendant.

This database [redacted] consisted of telecommunications metadata obtained from United States telecommunications service providers pursuant to administrative subpoenas served upon the service providers under the provisions of 21 U.S.C. § 876. This metadata related to international telephone calls originating in the United States and calling [redacted] designated foreign countries, one of which was Iran, that were determined to have a demonstrated nexus to international drug trafficking and related criminal activities. This metadata consisted exclusively of the initiating telephone number; the receiving telephone number; the date, time, and duration of the call; and the method by which the call was billed. No subscriber information or other personal identifying information was included in this database. No communication content was included in this database.

In other words it's just like the Section 215 phone dragnet (and different in a few ways from Hemisphere, the drug-related database collecting US calls), but collected under 21 USC 876, the drug war's version of Section 215 tangible things provision, rather than Section 215. And they used it to go after sanctions violators, not drug traffickers.

The declaration goes on to say that this database got shut down – at least, shut down under this authority – in September 2013.

Use of the [redacted] database [redacted] that returned the 818 number was suspended in September 2013.¹ This database [redacted] is no longer being

queried for investigatory purposes, and information is no longer being collected in bulk pursuant to 21 U.S.C. § 876.

1 [5+ lines redacted]

The NYT broke the story of Hemisphere on September 1, 2013, so the month this thing was shut down. September 2013 is also, conveniently enough, the month Hassanshahi was arrested.

But of course, the declaration doesn't even say it was shut down. There's the redacted footnote, saying who knows what about the suspension. And the declaration only says this stuff isn't collected in bulk under 21 USC 876, not that it's not being conducted in bulk.

Maybe the government has finally moved its Iran sanction phone dragnet under Treasury sanctions authorities, where it should be?