

Deep State USA/UK

Frank Dodd (Tony) Smith, Jr. - 2014

Mike Lofgren in a 21 February 2014 essay at Moyers & Company described "... **Deep State** ... a hybrid association of elements of government and parts of top-level finance and industry that is effectively able to govern ... without reference to the consent of the governed as expressed through the formal political process ...".

In some countries their Deep State is clear and open:
the Russian Deep State is what was known in Soviet days as the KGB;
the Chinese Deep State is the CPC/PLA.

The USA/UK Deep State is thought by some to be the Wall Street and London City Big Banks whose Quadrillion Dollar Hedge Fund Casino is the largest concentration of nominal wealth on Earth.

What would a Wall Street / London City Deep State do if the next financial crisis were on the scale of Hundreds of Trillions of Dollars, far beyond the scale of the few Trillion a year of Quantitative Easing for the 2008 financial crisis Banker Bailout ?

Consider these quotes from www.telegraph.co.uk on 14 Feb 2014 and 10 Sep 2013:
"... Concerns over the potential manipulation of foreign exchange markets ... the allegations over currency manipulation were "ever bit as bad" as those in the Libor-rigging scandal ... If rates have been manipulated it could mean hundreds of trillions of dollars of investments could have been incorrectly priced.

...

the FCA ... was investigating the potential manipulation of the ISDAfix that is used to price much of the \$379 trillion (£242 trillion) interest rate swap market ...".
and

this quote from www.prisonplanet.com on 18 February 2014:

"... Yet another banker has committed suicide, with a JP Morgan forex trader leaping to his death from the top of the firm's Chater House headquarters in Hong Kong. Over the past few weeks at least seven bankers have died under mysterious circumstances, including another JP Morgan senior manager who jumped off the top of a skyscraper in London last month. Speculation is rife that the series of deaths are connected to some kind of looming financial crisis ...".

If the USA/UK Deep State is indeed Wall Street / London City,
then

the Big Banks would get the Fed/Treasury to print up Hundreds of Trillions of Dollars as a Banker Bailout to cover losses.

Those Hundreds of Trillions of Dollars would be a Weimar-style HyperInflation that destroys the Dollar as a Reserve Currency

China becomes the New Global Financial Hegemon.

Alternatively, pseudonymous Tyler Durden of Zero Hedge sees **the USA/UK Deep State as a broader "... National Security State** which enables a vast Imperial structure that incorporates hard and soft power--military, diplomatic, intelligence, finance, commercial, energy, media, higher education--in a system of global domination and influence ... read "Foreign Affairs", with an emphasis on reading between the lines ...".

Tyler Durden wrote "Who Gets Thrown Under The Bus In The Next Financial Crisis?" on 3 March 2014, saying "... In the 2008 financial crisis, the Fed threw savers and the bottom 95% under the bus to funnel hundreds of billions of dollars ... to the banks to rebuild their broken balance sheets. The Fed also provided limitless liquidity to bank trading desks and financiers to skim billions from carry trades, effectively channeling the nation's financial resources to enrich its cronies, the top 1/10th of 1% ...

the next (and inevitable) financial crisis ... is simple to summarize: the paper claims on wealth so far exceed actual wealth that something's gotta give. These claims include trillions of dollars in shadow-banking bets (derivatives and other leveraged claims all teetering on a tiny base of real collateral) and trillions of dollars in debt-based claims on future income. Simply put, the vast majority of these claims will have to be zeroed out, i.e. these phantom-claim "assets" will be voided and declared worthless.

This leads to the key question:

who will the Deep State throw under the bus to preserve itself and the nation-state?

...

the speculative excesses and political power of Wall Street pose a strategic threat to the Deep State, and as a result a showdown between

the Deep State ... high-echelon U.S. military and national-security assets ...

and

the surface machinery of governance that has been captured by Wall Street is looming

...

Between saving the U.S. dollar and making whole the \$100 trillion in nominal-value bets made by financiers in offshore shadow-banking accounts--there's no contest.

...

the pre-eminence of both the Deep State and the U.S. nation-state depend on the U.S. dollar remaining the key reserve currency in the global economy. The collapse of the U.S. dollar would destroy the foundation of both the Deep State and the U.S. nation-state, hence ... the Deep State will not enable that collapse.

...

the Deep State will do whatever it takes to eliminate strategic threats to the integrity of the Deep State and the nation it depends on for its power and survival. In a financial crisis that threatens the dollar and the Deep State, the phantom claims of Wall Street's financier skimmers, scammers and swindlers will be tossed under the bus ...".

If the USA/UK Deep State is indeed the Broader Alternative,

then

the Remnants/Successors of Wall Street / London City will be in competition with China for the role of Global Financial Hegemon.

What assets will the Remnants/Successors of Wall Street / London City have in their competition with China ?

According to the OCC Quarterly Report on Bank Trading and Derivatives Activities (Third Quarter 2013) the Assets and Notional Amount of Derivatives = Phantom Claims held by the top 5 Bank Holding Companies were (in \$ millions):

JPMORGAN CHASE & CO.	2,463,309	73,255,282
CITIGROUP INC.	1,899,511	63,245,172
BANK OF AMERICA CORPORATION	2,128,706	57,929,528
GOLDMAN SACHS GROUP, IN., THE	923,359	50,372,894
MORGAN STANLEY	832,223	50,332,826

Therefore,

the Big Five Banks have \$ 303 Trillion of Total Wealth (Real Assets + Phantom Claims) but

\$ 295 Trillion of their Total Wealth is in Phantom Claims that would be Zeroed Out leaving

the Big Five Banks with only their Real Asset Wealth of \$ 8 Trillion.

The Top 5 Banks of China have assets (according to www.cba.ca) (in \$ millions):

ICBC	2,803,129
China Construction Bank Corporation	2,232,764
Agricultural Bank of China	2,116,358
Bank of China	2,026,278
Bank of Communications	842,651

Therefore,

the Top 5 Banks of China have Real Asset Wealth of \$ 10 Trillion.

Since Remnant USA/UK Banks and China Banks have roughly equal Assets their competition for Global Financial Hegemon will be decided by other factors:

China + Russia has the Chinese Manufacturing Machine
which can be fed by Russian Resources
while
the USA/UK has nothing to offer the rest of the world
other than Lawyers, Accountants, and Bankers
which would be irrelevant with China as Global Financial Hegemon.

USA/UK policy in the Middle East has alienated both Iran and Saudi Arabia
and has driven Egypt to seek arms from Russia
while
China is getting agreements to buy oil from Russia, Saudi Arabia, Iran and Venezuela
using Chinese currency instead of Dollars.

USA/UK has historically had high influence in Europe
but
instability of the European Union due to mismatch
of the German and the South European economies
make it a less reliable ally.

USA/UK has military bases in Japan
but
Japanese economic ties to China are strong and
Japan might refuse to risk the Nuclear Destruction of a war with China.

The USA/UK has military might of USA + NATO
but
is opposed by the military of China + Russia
so
a military war would result in the Nuclear Destruction of the USA/UK.

**Would the USA/UK prefer Nuclear War
to
living under Chinese Hegemon ?**

As I write this in early March 2014 the lead news in the USA/UK is

**"Pentagon sending fighter jets
to boost NATO presence amid Ukraine standoff"**

(Fox News 5 March 2014)

"U.S. Bid for Russia-Ukraine Talks Fails"

(The New York Times 5 March 2014)

"Ukraine crisis: Russia 'spinning' intervention, says US"

(The Telegraph 5 March 2014)

**"Blows for west in bid to counter Moscow
Kremlin shuns Ukraine meeting
as Germany resists US-led sanctions call"**

(Financial Times 5 March 2014)

**The loud noisy Ukraine news in USA/UK seems to be
a Deliberate Distraction of the USA/UK general population from the really serious
issue of impending collapse of the USA/UK Deep State Hedge Fund Casino.**

The importance of the Hedge Fund Casino Collapse has been seen in the first 4 pages.

What is importance of the Ukraine issue?

Ukraine is divided between Ukrainian Majority (yellow) and Russian Majority (red):



(image from Wikipedia)

Russia (Ukraine's gas provider and lessee of Crimea) and EU / NATO presented competing aid packages to Ukraine's elected President Yanukovych who rejected the EU / NATO proposal and accepted the Russian proposal.

EU countries Poland, Slovakia, Hungary, and Romania share borders with the Ukrainian Majority (yellow) part of Ukraine, which includes Kiev.

USA/UK Deep State favors Ukraine's inclusion in EU / NATO and so instigated in Kiev a violent coup against President Yanudovych (who fled to Russia for personal safety) and installed a Coup Government to accept the EU / NATO proposal.

Russia reacted by securing its leasehold interest in Crimea and, at the request of President Yanukovych, prepared for military steps to protect the status of President Yanukovych including his decision to accept the Russian proposal.

USA/UK reaction has been highly publicized Anti-Russian bluster and threat but no serious military counter to Russia's steps, so it seems that USA/UK is using the Ukraine as a Deliberate Distraction from the far more serious Hedge Fund Collapse.