

From: "Noam Chomsky" <[REDACTED]>
To: "jeffrey E." <jeevacation@gmail.com>
Subject: RE: insight
Date: Fri, 31 Jul 2015 16:25:37 +0000

Hope so. It seemed to me that his analysis – basically repeated by Stiglitz, Krugman, and many other economists – was accurate. Smart guy. You might want to meet him – I have a few times. But don't talk to him about UG. I suspect he doesn't know it exists.

Noam

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Friday, July 31, 2015 5:59 AM
To: Noam Chomsky <[REDACTED]>
Subject: Re: insight

I hope he understands more about UG and mods than he does about banking. . Noam, it seems endemic that people pontificating with regards finance seem to want to cut the intestinal tract at a point of their choosing, closely examine their slice and then describe the patient. One must follow the money until it returns to its beginning./ where he says its about the german and french banks not taking a write off. yes, that is true. but why do they care? they care because the system is based on strange accounting. as all banking systems are. "Assets". are described in common parlance as things you own of value.. your home ,your money, your current and sometimes future income. . However if you are a bank, its akin to alice in the mirror. -To the banks, "Assets" are Loans--- yes, loans to people countries, corps etc. they value their assets as a calculation of how much they are lent out. not how much they have in their bank, so when the bank lends more money, its Assets go up. and then -It can lend more money as it has more "assets." ? (its like alice putting her hand on her head to measure if she is growing.) If the bank has to admit that it lent money to someone that now cant pay it back, that is only required if the terms of the loan are not met only according to the specificities in contract. the bank must then and only then, declare the entity in default. that is the crux of the issue. most loan contracts state that as long as interest is paid, no default needs to be declared. so the bank merely lends the entity more money, and it gets paid its own money back and records it as interest "??", and in yours and blythes term get to record profits. it is a fiction, If you take money from your right pocket, pass it around and it make sure it lands in mleft left pocket and I can say you have made a profit no default needs to be declared. and you must pay tax on your profits to the govt. all strange and part of your first lesson when we next meet.

On Thu, Jul 30, 2015 at 11:00 PM, Noam Chomsky <[REDACTED]> wrote:

You say, I guess, Mark Blyth in Foreign Affairs. https://www.foreignaffairs.com/articles/greece/2015-07-07/pain-athens?cid=nlc-twofa-20150709&sp_mid=49066558&sp_rid=Y2hvbXNreUBtaXQuZWR1S0.

Core of the story he tells is this:

The EFSF [9] was a company the EU set up in Luxemburg "to preserve financial stability in Europe's economic and monetary union" by issuing bonds to the tune of 440 billion euro that would generate loans to countries in trouble. So what did they do with that funding? They raised bonds to bail Greece's creditors—the banks of France and Germany mainly—via loans to Greece. Greece was thus a mere conduit for a bailout. It was not a recipient in any significant way, despite what is constantly repeated in the media. Of the roughly 230 billion euro disbursed to Greece, it is estimated that only 27 billion [10] went toward keeping the Greek state running. Indeed, by 2013 Greece was running a surplus and did not need such financing. Accordingly, 65 percent of the loans to Greece went straight through Greece to core banks for interest payments, maturing debt, and for domestic bank recapitalization demanded by the lenders. By another accounting, 90 percent of the "loans to Greece" bypassed Greece entirely [11]....So if we want to understand

why the combined powers of the eurozone can't deal with a problem the size of a U.S. defense contract overrun, it's probably wise to start here and not with corrupt Greeks [15] or Swabian housewives' [16] financial wisdom. As former Bundesbank Chief Karl Otto Pöhl admitted [17], the whole shebang "was about protecting German banks, but especially the French banks, from debt write-offs."...To fix the problem, someone in core Europe is going to have to own up to all of the above and admit that their money wasn't given to lazy Greeks but to already-bailed bankers who, despite a face-value haircut, ended up making a profit on the deal.

From: jeffrey E. [mailto:jeevacation@gmail.com]

Sent: Thursday, July 30, 2015 10:09 PM

To: Noam Chomsky <[REDACTED]>

Subject: insight

<http://www.nytimes.com/2015/07/31/business/bailout-money-goes-to-greece-only-to-flow-out-again.html?hp&action=click&pgtype=Homepage&module=mini-moth®ion=top-stories-below&WT.nav=top-stories-below>

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