

BOOK REVIEW

Secret Weapon: How Economic Terrorism Brought Down the U.S. Stock Market and Why it Can Happen Again

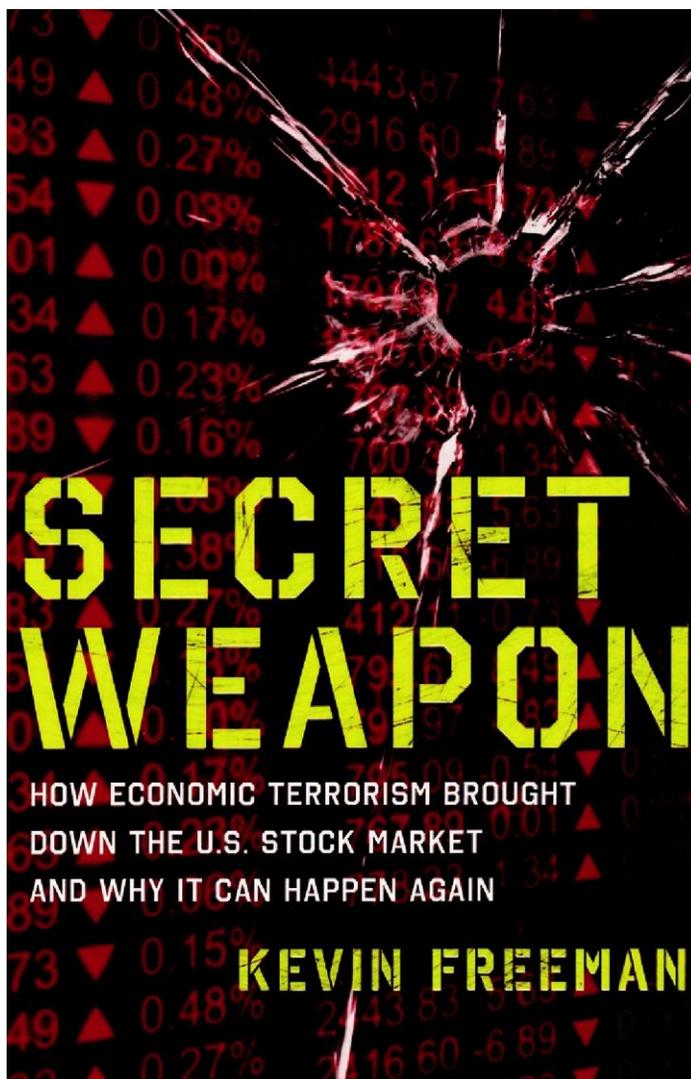
By Kevin Freeman

Reviewed by: Avner Smith

From the 1700s to the current day, governments and non-state actors have employed Economic Warfare against their adversaries. As an investor and advisor, Kevin Freeman had an interesting perspective witnessing the 2008 market collapse. With suspicions aroused, he conducted a preliminary investigation. He reported his findings to the US government and the Department of Defense, and published some of his findings. He is the author of *Secret Weapon: How Economic Terrorism Brought Down the U.S. Stock Market and Why it Can Happen Again* (Regnery, 2012) and the fascinating blog, Global Economic Warfare (www.globaleconomicwarfare.com).

Mr. Freeman devotes chapters to establishing motive, means, and opportunity for an adversary or adversaries to have taken action. e author documents motives countries such as China, Iran, Russia, and Venezuela, as well as various non-state actors, have articulated. ese motives run the gamut from nancial gain to paramilitary conquest.

e means the various suspects have at their disposal are diverse. e means can



include the manipulation of oil prices, currency, and debt, as well as a host of manipulative practices that negatively affect nancial markets. Freeman asserts that sovereign wealth funds are “state-owned investment funds” that can be used to manipulate commodities and

stock prices. He asserts, “Financial terrorists may be willing to sacrifice their own economic interests to their ideological agenda. But new nance tools mitigate downside risk for potential nancial terrorists, meaning that they themselves could actually profit by attacking the U.S. economy. Tools like credit default swaps, naked short selling, and leveraged ETSs can be used to attack us while the perpetrators hide their identities in dark markets and dark pools or behind computer trading with rogue traders.”

Opportunities for these methods to be used against Western nations are widespread; most have been supplied by our own governments. Our out-of-control governmental spending, debt, and the inflationary bubbles our policies have created—such as those in stocks, housing, and the government

expansion bubble—can all be viewed as malinvestment (governmental intervention counter to natural market forces) that creates massive strategic vulnerability. Repealed nancial regulations concerning derivatives, naked short selling, and other techniques

are weapons that can exploit these vulnerabilities.

Mr. Freeman lays out the case that attacks culminating in the 2008 collapse were multi-phased, and began with the run-up of oil prices. According to the author, they appear to have been carried out by a combination of sovereign wealth funds and may have had the involvement of Islamist groups and national players such as Venezuela and Iran. "If Americans were concerned by rising oil prices in early 2008, they were panicked by the March collapse of Bear Stearns," when a series of "bear raids" and market rumors nearly collapsed the world's financial markets. Later, a report linked several groups to firms that were involved in causing the "flash crash" of 2010. Those groups included "individuals identified by authorities as 'Specially Designated Global Terrorists,' as well as al Qaeda financiers, an investment manager

once accused by the FBI of handling an account for Osama Bin Laden (with advance knowledge of the 9/11 attacks), HAMAS financiers, the Russian mafia, Chinese traders and various jihadist foundations."

Freeman states, "By shorting the market, our enemies shouted 're' in a crowded theater, prompting market actors to all 'de-risk' at once. They were piggybacked by a few market traders like George Soros, who made a bundle. And the entire U.S. economy paid the price."

The greatest challenge may not be the harm that we have incurred, but rather the ignored potential for a future attack. Freeman observes, "The Phase Three concern is that the response itself to the recent collapse has strained economic resources, creating large budget deficits and high inflation risks." All previous hazards remain in place; we simply face them

from a more disadvantaged position.

The most concerning aspect of Freeman's findings is his speculation as to what the next attack may look like. We are at great risk, whether it is from China, Russia, Venezuela, Iran, or some other association of countries that would profit from the termination of the U.S. dollar's status as the world's reserve currency, or George Soros and his Quantum Fund looking to exploit the destructive effects of Credit Default Swaps to make a profit, or hostile Islamist groups waging financial jihad. Hopefully Mr. Freeman's research will encourage a wider range of investigations and awareness. You will find his book to be very interesting.

ABOUT THE AUTHOR

Mr. Smith (pseudonym) is a federal law enforcement agent.