Derivatives: The British Empire destroys banking

by John Hoefle

One measure of the British-American-Commonwealth (BAC) faction's success in seizing control over the United States, is the great strides it has made in transforming the most powerful industrial economy and nation the world has ever seen, the United States, into a rusting hulk, where quick-buck speculation has largely supplanted the "old-fashioned" idea of production. From the global derivatives racket of Wall Street, to the lottery frenzy of all too many of our citizens, speculation has become a national way of life. Pick up virtually any major newspaper, and you will see the so-called experts proclaiming the "fundamental soundness" of the U.S. economy, with some going so far as to claim that the economy is "nearly perfect." The boom, they all agree, is on. The modern oracle, Federal Reserve Chairman Alan Greenspan, has but to open his mouth and the world stops, waiting to see what wisdom pours forth, seemingly unaware that Chairman Al's prattling about the "new economy" lies decidedly on the wrong side of foolishness.

The claims that the United States is experiencing an economic boom are akin to claims that an emaciated patient is prospering, because his tumor gained 50 pounds. The U.S. economy is not growing; it is collapsing, and at an increasing rate. The industrial base is contracting, infrastructure is crumbling, and productivity declining. The United States is indeed on the edge of a new era: a plunge into a new Dark Age. Africa is already there, with Asia, the former East bloc, and Ibero-America sliding downhill fast, and the (formerly) industrial nations poised to join them, as soon as the bubble pops. And pop it will.

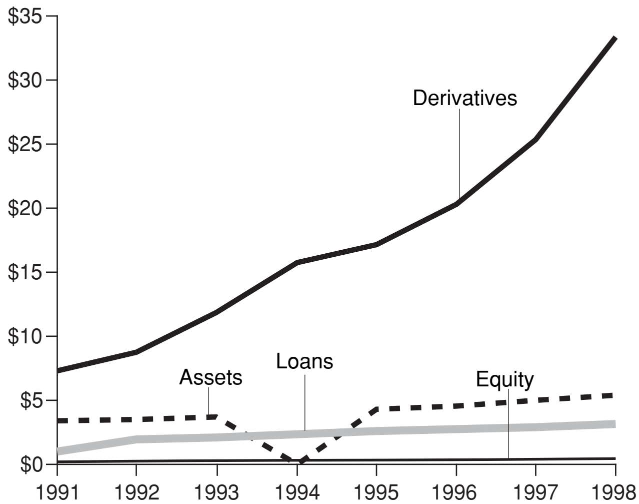
Take a look at the perilous condition of the U.S. banking system, where what the Federal Deposit Insurance Corp. terms "off-balance-sheet derivatives" have taken over **Figure 1.** Since 1991, the banking system as a whole has added $13 in derivatives for every $1 of new assets, $22 in derivatives for every $1 of new loans, and $113 in derivatives for every $1 of new equity capital. At the end of 1998, U.S. commercial banks reported $33.4 trillion in derivatives, backed up by $5.4 trillion in assets and just $462 billion in equity.

The bubble frenzy is also playing out in the stock market, where the Dow has topped 10,000 points, and the stocks on the New York Stock Exchange are trading at an average of 28 times annual earnings (and maybe 50 times earnings, if some profit-enhancing accounting tricks were removed). America Online now has a market capitalization greater than Ford and General Motors combined, and eBay, the online flea market, is valued higher than Lockheed Martin, despite Lockheed's boost from the Balkans and Iraq wars. The cancer has indeed taken over.

FIGURE 1

They're not banks anymore: derivatives vs. assets, loans, and equity capital at U.S. commercial banks

($ trillions)



Source: FDIC

A world gone mad

Behind this insanity, lies a carefully crafted plan to bring the United States to its knees, and to reintegrate it into the British Empire. The death of the Bretton Woods fixed-exchange-rate system in 1971, combined with the Fed's huge interest rate hikes a decade later, destroyed the stability of the U.S.-dominated, post-World War II economic system. The calculated effect of this instability, was to increase the power of the financial oligarchy to manipulate the economies of the world. During the 1980s, thanks in large part to a series of tax breaks for speculators and laws which deregulated the banking system, the cancer was allowed to run wild. The resulting junk bond and real estate bubble expanded until the latter part of the 1980s, then blew out spectacularly, with the public collapse of Drexel Burnham Lambert, the savings and loans, the Texas banking system, and the Ibero-American debt crisis—and the more discreet collapse of the big banks.

In response, the Bush administration and the Federal Reserve organized a secret bailout of the U.S. banking system, through a series of hidden subsidies, forced mergers, and a "no such thing as a bad loan" regulatory stance. Such mergers are continuing, both to increase the power of the banks relative

TABLE 1
Top banks disappear in consolidation: The top ten in 1985 vs. 1998
(billions $)

Top ten U.S. bank holding companies, 1985	
1. Citicorp	173.6
2. BankAmerica	118.5
3. Chase Manhattan	87.7
4. Manufacturers Hanover	76.5
5. J.P. Morgan	69.4
6. Chemical New York	57.0
7. Security Pacific	53.5
8. Bankers Trust	50.9
9. First Interstate	49.0
10. First Chicago	38.9
Top ten U.S. bank holding companies, 1998	
1. Citigroup	688.6
2. BankAmerica	617.7
3. Chase Manhattan	365.9
4. Bank One	261.9
5. J.P. Morgan	261.1
6. First Union	237.4
7. Wells Fargo	202.5
8. Bankers Trust	133.1
9. SunTrust	93.2
10. KeyCorp	80.0

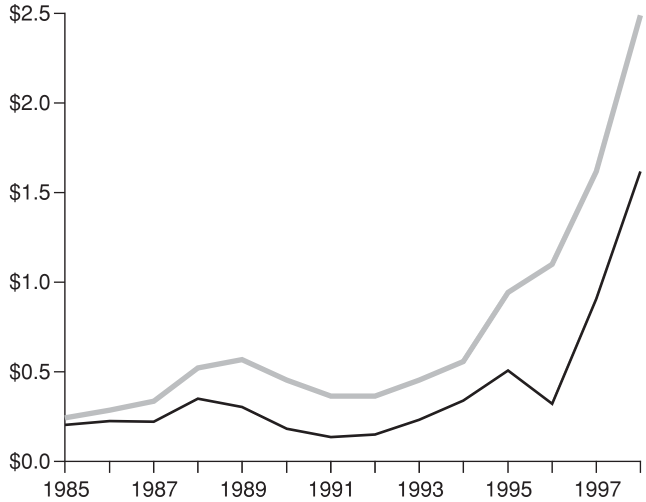
Source: Comptroller of the Currency; company reports.

to the national government, and to hide the losses arising from the derivatives shell-game. **Table 1** shows the effects of the policy. Of the top ten banks in 1985, only two, J.P. Morgan and Chemical, remain today. Citicorp was bought by Travelers (the new owner of Salomon Brothers), which changed its name to Citigroup; BankAmerica took over Security Pacific, and was in turn bought by NationsBank, which changed its name to BankAmerica; Manufacturers Hanover was bought by Chemical, which then bought Chase, while keeping the Chase name; First Interstate was taken over by Wells Fargo, which was then bought by Norwest, which kept the more famous Wells Fargo name; and First Chicago was bought by NBD of Detroit, which in turn was gobbled up by Bank One. Most recently, in this game of musical chairs, Bankers Trust is being taken over by Germany's Deutsche Bank.

A similar game is being played worldwide, especially among the European banks, with huge mergers in Switzerland, France, and Italy. Mergers are also sweeping the insurance, telecommunications, energy, and raw materials sectors, leading to an explosion in mergers and acquisitions worldwide in recent years **Figure 2.** With nearly every merger, the BAC increases its hold over the economy.

The result is a world where virtually everything is sacrificed on the altar of big money. Banks used to prosper by helping to build their communities; some banks still do that, but the big banks now make their money by pulling funds out of their customer base, and betting it in the global casino. Their off-balance-sheet derivatives holdings (**Table 2**) wildly exceed their balance sheets, with Chase and Morgan each having more in derivatives than the Gross Domestic Product of the entire United States. They have chosen to go with the bubble, and support it by looting the real economy. This is no longer the American System banking model which built our nation; it has been transformed into a British-style system, which is destroying the United States and the world.

FIGURE 2
Global consolidation frenzy: value of announced mergers
($ trillions)



Source: Securities Data Corp.

TABLE 2
Big U.S. banks addicted to derivatives: holdings of top U.S. banks
(billions $)

Bank company	Equity	Assets	Derivatives
Chase Manhattan	23.8	365.9	10,353.0
J.P. Morgan	11.3	261.1	8,860.8
Citigroup	42.7	668.6	7,986.9
BankAmerica	45.9	617.7	4,438.3
Bankers Trust	4.7	133.1	2,562.5
Bank One	20.6	261.5	1,472.1

Source: Comptroller of the Currency; company reports.