"80% of the U.S. population do not see the great prosperity you talk about," Tennenbaum said. Rather, the tide is rising for a new Franklin Roosevelt to come on the scene. "Lyndon LaRouche has pledged to put an end to the system of independent central banking. You, Mr. Greenspan, will be the last chairman of an independent central bank in the United States. What do you say about that?"

Tennenbaum's remarks met with intense concentration from the audience, with applause from some, and enraged scowls from others. After a pause, Greenspan replied: "I can't deny the possibility that the whole system might collapse. You are raising issues which, to really get at the root of them, would probably take a hour or so, so I'll try to keep it short. It is certainly the case that credit derivatives have increased very substantially in the U.S. . . . They have been quite extraordinary in being able to take a very major potential problem in finance—and I will give you one specific example—and defuse what could have been the makings of what could have been a very major financial crisis."

Elaborating on the method of "solving" one bankrupt bubble by creating another much larger one, Greenspan let some cats out of the bag: "I refer to the fact that between 1998 and 2000, world-wide and in all currencies, the equivalent of $1 trillion of debt was taken out by the telecommunications industry, a significant part of which went into default. Had we had the type of financial system which we had in the earlier postwar period, with the rigidities you referred to, because banks are largely leveraged institutions, we would have had a very major collapse in banking. In the event, however, because credit derivatives moved the risks from banks who initiated the credits, to those far less leveraged institutions, which were insurance companies, reinsurance, pension funds etc. not a single major international financial institution was in trouble. These have been very major instruments for *smoothing out the system.*"

After flatly denying that there is a real estate bubble in the United States economy, the Fed Chairman concluded: "And you presume that as a consequence of all of these issues, that we are sitting on some massive financial bubble, which is going to blow up in our faces. You are not the only one who says that. . . .

"How do we know that the total system will not collapse? Well, the answer to that question . . . is that no one has the omniscience and certainty to say, without qualification, that you are wrong. I shall merely say that the evidence that most of us who evaluate the data with respect to trying to answer that question, have overwhelmingly come to the conclusion, that that is extraordinarily unlikely to happen."

Unfortunately for Greenspan, the questioner following Tennenbaum raised the issue of Argentina's debt default, which is actually only the tip of the iceberg. Sir Alan replied, "I wish you had not asked that question."

Can Argentina v. Vulture Funds Bring System Down?

by Cynthia R. Rush

It is with good reason that Federal Reserve Chairman Alan Greenspan found it distasteful to discuss Argentina, when asked about it during his Jan. 13 appearance in Berlin [see article above]. The Fed and its allies are panicked over Argentina's current brawl with creditors holding bonds on which the country defaulted in 2001—many of them the notorious "vulture funds." In the context of the deepening global financial crisis and dollar crash, this battle holds the potential to bring down the whole rotten International Monetary Fund system. Evidence of that panic was seen Jan. 14, when the New York Federal Reserve, the U.S. Treasury, and the New York Clearinghouse Association filed *amicus curiae* briefs on Argentina's behalf in the court of New York Federal judge Thomas Griesa. Bondholders, who reject Argentina's plan to restructure $99 billion in debt with a 75% writedown, are beseeching Griesa to allow them to seize Argentine assets worldwide, including bringing injunctions allowing them to block Argentina's payments to the IMF. The Fund is the only one of the country's creditors to have been faithfully paid in full, to the tune of $12.3 billion, since the December 2001 default.

There should be no "privileged" creditors, bondholders scream, demanding that Griesa make a liberal interpretation of the *pari passu* clause, according to which all creditors have equal standing. This would allow them to start embargoing any Argentine funds sent abroad—that is, to the IMF—as payment for what they say they are owed. Bondholders have already filed a series of legal suits against the Kirchner government, and are awaiting Jan. 31, the date on which Griesa may enforce execution of an October ruling by which vulture fund godfather Kenneth Dart was awarded $724 million on an initial $500 million investment in Argentine bonds, plus unpaid interest. Should Dart be allowed to collect, this would be the signal for a bondholder onslaught to seize Argentine government assets abroad.

But the international implications of any blocking of Argentina's payments to an IMF which is in de facto bankruptcy itself, was more than the Fed and Treasury wanted to contemplate. In its *amicus* brief, the New York Fed warned in urgent tones that, were Argentina prevented from paying multilateral lenders, this would disrupt the banks' payment systems, most particularly the "Fedwire" system of international payments and settlements, involving billions of dollars. "The availability of such injunctions would create uncertainty as to the fi-