

THE WORLD'S CHOICE

Suicide by Banker, or Return To Bretton Woods

by John Hoefle

Oct. 17—The global financial system is dead, and the wild-eyed bailout schemes being touted as fixes are all incompetent and insane, the equivalent of giving junkies more of the drugs that are already killing them. There are some differences in the proposed schemes, just as there are differences between heroin and crack cocaine, but they would all give the addicts more poison.

The bankers' screams for "more money! more money!" are not really any different than the junkie's demand for another fix. In both cases, the proper response is to say "No!" and cut them off. They may not like going cold turkey, but giving in to their addiction will only make matters worse.

In the case of the financial markets, that means shutting down the derivatives markets, then putting the rest of the financial system through the equivalent of a bankruptcy procedure. Derivatives contracts would simply be declared null and void, as if they had never occurred, eliminating all questions of "value" and settlement in this multi-quadrillion-dollar gambling den. What remains, the trillions of dollars of debt and debt masquerading as assets, would then be frozen until the wheat could be sorted out from the chaff.

That is what must be done, and we will either do it or we shall descend into a new dark age, the path paved by an explosion of hyperinflation that will wipe out ev-

erything in its path. The attempt to bail out the dead system is suicidal, and thus the choice facing the world today is to either commit suicide by continuing the insanity, or the concepts and policies bequeathed to the world by FDR's Bretton Woods agreements.

Bailout of the Week

One need look no further than the one-week lifespan of Treasury Secretary Henry Paulson's bailout scheme to see the writing on the wall. Paulson assured us when his demands were put before Congress that he knew what the problem was and had devised an effective solution. Congress, he insisted, must not change a thing. Congress capitulated, and Paulson got the authority and funds he demanded, only to abandon his plan within days, going with the British scheme to inject funds directly into the banks—accompanied, naturally, by assurances that this plan has been well thought out, and will solve the problem.

Under the new and improved bailout plan, the Treasury will inject \$250 billion into U.S. banks, including U.S.-chartered subsidiaries of foreign banks; half of this money, \$125 billion, will go to nine banks: Citigroup and J.P. Morgan Chase will get \$25 billion each; Bank of America and Wells Fargo will also get \$25 billion each, including \$5 billion apiece for their takeovers of Merrill Lynch and Wachovia, respectively; the newly



The latest version of the “Paulson plan” injects \$250 billion directly into the veins of the banks—a scheme advocated by British Prime Minister Gordon Brown. Former Fed chairman Alan Greenspan (right), whose post-1987 policy of pyramiding financial derivatives was a major factor in triggering the current meltdown, is now an advisor to Gordon Brown.

minted bank holding companies Goldman Sachs and Morgan Stanley will each get \$10 billion; and State Street and the Bank of New York Mellon, both of which play significant back-office roles among banks, will split the remaining \$5 billion; assuming that the plan is not revamped again before the payouts occur. This echoes the plan announced by Britain, which will inject some \$60 billion into three banks, the Royal Bank of Scotland, HBOS, and Lloyds TSB.

These banks join the growing list of financial institutions which have failed, been merged to avoid failure, or have avoided failure through capital injections or nationalization. The carnage which began with the failure of Northern Rock a year ago has now claimed, in one way or another, most of the world’s largest banks, and the show is just getting started.

British Delusions of Grandeur

The British pulled off a coup to get their version of the bailout plan adopted by the United States and the major European nations, especially since Secretary Paulson had repeatedly made it clear that he had no intention of buying equity in U.S. banks.

Two events helped change the American position. The first was the move by Wells Fargo to break up the Plunge Protection Team’s arranged merger of the banking operations of Wachovia into Citigroup, which would have significantly boosted Citi’s deposit base. The Brits

have been out to sink Citi for months, to ensure that Morgan Chase, a bank with deep and long-standing British ties, emerges as the leading bank in America. The second event was the dramatic plunge in world stock markets during the intervening week. The Brits appear to have been the motivating factor in both cases, helping arrange the Wells Fargo bid for Wachovia and triggering the huge sell-offs in the stock markets which sent the markets, and their governments, into panic.

The British plan, as far as it has been revealed, is one of bank bailouts and liquidity injections, but Perfidious Albion always has tricks up its sleeves. In pushing for coordinated global action to solve a global problem, the Brits are actually moving to

establish a form of global bankers’ dictatorship, in which supranational organizations would be created to regulate and supervise the banks. The intent is to lessen, then eliminate the power of the nation-states to regulate banks and control their own credit, as a way of cementing the power of the British Empire. Individual nations would effectively lose whatever sovereignty they have left.

What the British and their oligarchic backers fail to understand, is that the horror such a plan would unleash upon the world, will destroy their empire as well. They may think they can control the “downsizing” of nations and their populations, and the chaos which would ensue, but they are making a tragic, fundamental mistake.

The dark age of the 14th Century was caused by the collapse of the Lombard banking system, which wrecked the economy of Europe and created the conditions in which the bubonic plague flourished. The Lombard system was parasitic, thriving by looting nations and their populations, much as we see today, and when it collapsed, civilization collapsed into a dark age. We face the same problem today.

In the final analysis, it is physical economy, not the manipulation of money, which determines the living standard of mankind, and nations that spend their money on bailouts while their physical economics collapse, are not long for this world. The British parasites have made fortunes looting the United States, and now they’ve ba-

sically destroyed us. But when the U.S. goes, and most of the world goes with it, where will Britain feed?

When the host dies, so does the parasite.

New Bretton Woods

Lyndon LaRouche has called for a New Bretton Woods conference to deal with this crisis. A key element of the New Bretton Woods agreement would be a revival of the FDR-inspired fixed exchange rates among national currencies. Fixed exchange rates not only promote stability in the financing of international trade, but they would also end the ability of the British Empire to manipulate currencies for geopolitical reasons, and for merely venal ones.

The fixed-rate system stabilized the world from 1944 until 1971, when President Nixon took the dollar off gold, a move which opened the world to an invasion by British speculative capital. Since that time, the nations of Ibero-America have been reduced to virtual debt slaves, hit with combination blows of high debts and devalued currencies, leaving their populations devastated. In the United States, the economy has operated at a loss every single year over the last four decades, as

our ability to produce what we consume has deteriorated, and we have gone deep into debt to cover the growing shortfall. Now our financial system has collapsed, and in the final indignity, we find ourselves bailing out the criminals who destroyed us, while we are left without the funds to rebuild our economy and restore our productivity.

The solution to this crisis, as LaRouche has repeatedly insisted, is a return to American System economics, and the convening of a New Bretton Woods conference to steer the world back to progress and prosperity. However, we must be clear on what we mean, as the British and their agents are also calling for a New Bretton Woods, for purposes diametrically opposed to ours.

The 1944 Bretton Woods conference was a battleground between the policies of Franklin Roosevelt and the policies of the British Empire. FDR wished to use the conference to lead the world out of the ancient imperial system, with its looting and colonies, and said as much to an apoplectic Sir Winston Churchill. The Brits had their own view, wishing to use the conference to restore their empire. At the time, the British Empire had been severely weakened by two world wars, while the U.S. was stronger than ever, with unquestioned industrial and economic might. FDR prevailed over the British and the world benefitted, but the British neither forgot nor forgave, and are today trying to use the financial crisis as a lever to force a new, global monetary system in which finance dominates nations. In their typical sadistic duplicity, they are themselves calling for a New Bretton Woods, with every intention of prevailing this time around.

That is no problem as long as we understand the issues, know what must be done, and are willing to take the lead in advocating the American System. The world will forgive the United States its recent transgressions if we abandon our Anglophilic heresies and return to our founding principles, but the world will never forgive the British Empire for what it has inflicted upon mankind, and for the new horrors it has planned. As LaRouche observed recently, Britain will soon become the most hated nation on Earth, as the effects of its bailout scheme and other plans become more clear.

It doesn't have to end that way, of course. We can still save the day, and as we rebuild the world and revive civilization, perhaps one day we can even civilize the British, and induce them to join the modern world.

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