

Is the Global Financial System Becoming a Supernova Explosion?

by Helga Zepp-LaRouche

Feb. 16—Financial market insiders are extremely nervous right now, because the international financial system is even more tense than immediately before the collapse of Lehman Brothers and AIG in September 2008—with the major difference that the “tool box” for resolving the crisis is now completely empty. What remains is only the choice between a hyperinflationary explosion throughout the trans-Atlantic region, as occurred in 1923 in Germany, or the immediate implementation of the two-tier banking system, in exactly the same form as President Franklin Roosevelt’s 1933 Glass-Steagall Act.

Lyndon LaRouche, the only economist whose forecasting success about the financial system is incontestable, warned recently, in the most urgent terms, that this system is about to completely evaporate. Now one analyst has joined him, albeit from the more practical point of view of a market player: Bill Gross, founder and co-chief investment officer of PIMCO, the world’s largest asset managers with \$1.9 trillion in assets, has come to the same realization. On PIMCO’s website, Gross writes that the entire financial system is nothing more than a giant “chain letter” of unlimited money accumulation, and that this system will soon explode like a “supernova.”

The website *Deutsche Wirtschaftsnachrichten* [German Economic News] cites Wikipedia’s laconic description: “A supernova (plural *supernovae*) is the sudden, bright burst of light from a star at the end of its life, caused by an explosion in which the star itself is destroyed. The luminosity of the star increases millions to billions of times; for a short period it is as bright as an entire galaxy.”¹ The website adds that the dazzling light we see from it could be the current irrational boom on the international exchanges: “There will be nothing left.”

1. From the German Wikipedia.

But if a “supernova explosion” of the hopelessly indebted financial system should occur, there actually would be something left: the greatest social catastrophe that mankind has ever experienced. If the financial system is detonated—either by a chain-reaction collapse within hours, or by hyperinflation which would very quickly destroy the very basis of life everywhere on Earth—millions of people would pay with their lives. Given the already extremely tense strategic situation, it is more likely than not, that wars and a global nuclear war would emerge from the chaos and turmoil. And only then would there be “nothing left.”

In many European nations and in the U.S. itself, there is a growing movement for LaRouche’s proposed implementation of the same package that Roosevelt used to pull the United States out of the Depression and transform it into the world’s most prosperous economy: the Glass-Steagall Act, the Pecora Commission, the New Deal, infrastructure construction, and the real economy. So there is a realistic alternative.

A Tissue of Lies

But the lobbyists for the current globalized system are putting enormous pressure on members of the various parliaments, to keep them from implementing Glass-Steagall. They are using a variety of tactics and lies, mainly taking advantage of politicians’ ignorance about economic issues.

Lie #1: “If a two-tier banking system were introduced now, it would destroy the entire global financial system, with catastrophic consequences for the real economy and jobs.”

The truth: This financial system is already beyond repair. The central banks’ practice of creating unlimited liquidity stopped benefiting the real economy long ago, and has only extended the banks’ abilities to continue their speculation in a completely non-trans-

parent market. The system's total debt exceeds the gross national products of all the world's nations by several orders of magnitude; this debt can never be repaid, and the attempt to do so by printing money would result in a short-term hyperinflationary explosion.

Hyperinflation is the most brutal form of expropriation of the general population. After the hyperinflationary devaluation of the debt, a new currency would come into being, and the only ones who would then own anything are today's mega-speculators, those who belong to the "Club."

Lie #2: "The two-tier banking system would not have prevented the collapse of Lehman Brothers, which was purely an investment bank."

The truth: The collapse of Lehman Brothers and AIG, as well as the prior collapse of the so-called dot-com bubble in March 2000, and the U.S. secondary housing market in July 2007, were the result of the deregulation of financial markets. Alan Greenspan, after his appointment as head of the Federal Reserve in 1987, introduced this, step by step. The collapses were also a result of the repeal of the Glass-Steagall Act in 1999, leading to the excesses of derivatives and other "creative" financial instruments. To this day, five and a half years (!) after the outbreak of the crisis, governments have done *nothing* to curb this monster system, which favors the mega-speculators at the expense of the

The screenshot shows the PIMCO website header with the tagline "Your Global Investment Authority". The navigation menu includes "INSIGHTS", "STRATEGIES", "SOLUTIONS", "FUNDS", "EDUCATION", "PRESS", and "OUR". The main content area is titled "Investment Outlook" and includes a sub-header "INVESTMENT OUTLOOK" and the date "February 2013". The article title is "Credit Supernova!" by William H. Gross. Below the title is a large, vibrant image of a supernova in space. Underneath the image is a quote: "This is the way the world ends... Not with a bang but a whimper. T.S. Eliot".

Pimco's Bill Gross writes that the rise in U.S. credit creation since 1971 has created "a monster that requires perpetually increasing amounts of fuel, a supernova star that expands and expands, yet, in the process, begins to consume itself." However, he then assures his nervous clients that "the end of the global monetary system is not nigh." And his solution? He offers Pimco's services to help "transition from financial to real assets."

common good, and risks the total destruction of society.

Lie #3: "The two-tier banking system would put Germany's credit supply at risk, damaging the competitiveness of the German financial sector compared to British, American, and Asian banks, which have no fear of conversion to a two-tier system."

The truth: The only way that the real economy can not only be supplied with credit, but also expanded through a "Marshall Plan" for Southern Europe, the Mediterranean, Southwest Asia, and Africa, is through a credit system in the tradition of Alexander Hamilton, the first Treasury Secretary of the United States; Abraham Lincoln; Roosevelt, and Germany's post-1945

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Kreditanstalt für Wiederaufbau [Reconstruction Finance Agency]. That means we need to replace the current monetarist system, based on profit maximization, with a credit system, oriented toward the common good, extended by means of higher energy-flux density in the production process.

The current unlimited, hyperinflationary “supply of credit” by banks, as the central banks generate more and more money, must be replaced by credit lines for well-defined projects in the real economy, creating full and productive employment and improving the quality of life from one generation to the next, and especially making a decent future possible for the younger generation.

The truth is also that the imminent threat of hyperinflation would have the same effect as a world war. Once it has broken out, it will continue to escalate and more, and will only stop when many millions or even billions of people have perished.

Those who defend the current system are guilty not only of the life-shortening consequences of the policy of the Troika [IMF, European Commission, European Central Bank] in Greece, Italy, Spain, and Portugal—

not to mention Africa—but also for the consequences that continuing the casino economy will have for the whole world’s population.

Only a completely new paradigm, which puts people back at the center of politics, the economy, and culture, can overcome this crisis, which has destabilized all the institutions that we once assumed were safe and guaranteed. The introduction of a real two-tier banking system in the tradition of FDR’s Glass-Steagall—and not one of the “ersatz coffee variations” à la Peer Steinbrück, Wolfgang Schäuble, the Liikanen Plan, the Vickers Commission, the Volcker Rule, etc.—is the first step.

Mobilize all your friends and acquaintances to remind Members of Parliament (or in the U.S., your Congressmen and Senators) of their duty to defend the general welfare and to be responsible only to their consciences.

It is not only the general welfare that is at stake, but our very lives.

Translated from German by Susan Welsh

REVIVE GLASS-STEAGALL NOW!



“The point is, we need Glass-Steagall immediately. We need it because that’s our only insurance to save the nation... Get Glass-Steagall in, and we can work our way to solve the other things that need to be cleaned up. If we don’t get Glass-Steagall in first, we’re in a mess!”

—Lyndon LaRouche, Feb. 11, 2013



LaRouchePAC is now leading a nationwide effort to push through legislation for Glass-Steagall (www.larouchepac.com).

WATCH the [LaRouchePAC video](#):

‘Glass-Steagall: Signing a Revolution’

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toll-free: **1-800-278-3135** e-mail: fulfullment@larouchepub.com