Saving Banks, and Nations, From the Parasites

by John Hoefle

To be sovereign, a nation must control its own credit, a point which is well understood by the imperial financiers of the Anglo-Dutch Liberal system. Mayer Rothschild, of the banking family made famous by its service to the Venetians, famously observed that he cared not who made a nation's laws, as long as he controlled its money, and that dictum has informed oligarchic policy ever since. It lies at the dark heart of the network of the central banks which dominate the global financial system—banks like the Bank of England, the European Central Bank, and the Federal Reserve, which are essentially private institutions operating under the coloration of government authority, but actually working for the imperial financiers.

Today, the issue of who controls the credit of a nation is of critical importance, an issue which will play a major role in determining whether mankind descends into a new Dark Age, or recovers from the last four decades of financial insanity and resumes its transition out of the age of empires into the age of modern sovereign nation-states. We can already see the early stages of the descent, as the Four Horsemen of the Apocalypse thunder across the poorer nations of the world, and the fascist policies of the Anglo-Dutch financiers spread famine, war, and death across the globe.

The only way to stop this plunge into the horrors of a new Dark Age is for governments to assert their sovereignty in defense of their populations, acting in concert to strip these parasitic financiers of their power to manipulate nations and their economies. The nation-state, the best example of which is the United States as established by the Declaration of Independence and the Constitution, is a far superior form of government to any imperial construct, including the fake parliamentary democracies of Europe, "Lords and peasants" oligarchic systems with thin veneers of public accountability.

Lyndon LaRouche has laid out a three-part program to use the power of the nation-state to defeat the empires once and for all. That program begins with the passage of the Homeowners and Bank Protection Act, which would erect a firewall to protect the population, while the financial system is put through bankruptcy, and the necessary functions of a national banking system are extracted from the clutches of the parasites.

That done, a two-tiered credit system would be put into place to facilitate the rebuilding of the productive sector of the economy. Credit would be extended at low interest rates, through the restructured banking system, for a series of projects designed to rebuild our tattered infrastructure, put Americans back to work in productive jobs, and move the economy into the era of nuclear power and the use of hydrogen as a fuel. The third phase would involve international cooperation among the largest and most populous nations on Earth—Russia, China, and India, among others—to create a political bloc powerful enough to smash the power of the oligarchs. Other nations, not powerful enough to buck the British Empire on their own, would gladly join such a movement, once they saw that the major nations were serious.

The alternative, as we shall quickly see, is an unstoppable collapse.

The System Is Dead

Only fools—although admittedly there are a lot of them around—believe that the current crisis is cyclical, some sort of rough patch we can get through if we just stay the course. The more clever types realize that the system has died, and that the rotting parts have begun to drop off. The implications of this are staggering. First, it should be obvious that with the death of the global securities machine, the volume of business no longer exists to sustain all the speculators who grew up around the bubble.

This includes, most emphatically, the big investment banks and the investment banking arms of the big bank holding companies. Although these firms have already reported some $400 billion in losses since the collapse began last year, these are from the first wave of losses, the write-downs of the values of securities. Successive shocks are beginning to work their way through the system, as the effects of soaring food and gasoline prices, combined with falling real estate values, devastate household budgets and greatly restrict consumer spending. Households will increasingly default on their debts, as will businesses dependent upon consumer spending, and it will all fall back on the banks, creating a tsunami which will drown them all. With no securities market to fund new debt, the debt can not be rolled over, and the debt bomb will explode.

Faced with this reality, the oligarchs are racing to restructure the banking system, amputating the lesser players in order to save the core. Bear Stearns is already gone, and rumors surround Lehman Brothers, Citigroup, Wachovia, and UBS, among others. The FDIC is warning that many smaller banks, overloaded with commercial real estate loans, will fail. The particulars are interesting, but it is the overall process of disintegration which counts; and, as LaRouche repeatedly stresses, it is a non-linear process, an accelerating collapse.

Pirate Equity

The latest move being mooted to save the banks is to have the private equity—or, pirate equity—firms bail them out with big capital injections. The Fed has reportedly been meeting with a number of these pirates to work out the details: According to the *Wall Street Journal,* the Fed has met recently with J.C. Flowers, Carlyle Group, KKR, and Warburg Pincus, and with banking lawyers, to reach some sort of agreement on how to proceed. Part of the problem is that Federal law requires that any entity owning 25% or more of a commercial bank must register as a bank holding company, and that ownership of 10% or more subjects the entity to regulatory oversight, to make sure that it does not try to influence the bank's actions.

Another problem, as cited by Carlyle Group managing directors Olivier Sarkozy and Randal Quarles, in an opinion piece in the same June 26 edition of the *Journal,* is the "source of strength" doctrine, which requires a bank holding company to inject capital into a bank it controls should that bank get into financial trouble. Sarkozy and Quarles called this doctrine "a powerful deterrent to potential new capital."

They argue that the private equity firms, with more than $400 billion in available funds, could provide badly needed capital to the banks. "They are exactly the kind of investors we should attract to the financial-services industry," the pair claimed, were not the regulations "far stricter than necessary."

The same theme of private equity bailouts of the banks also appeared in the July 2008 edition of Britain's *Prospect* magazine, in an article by former Bank of England official Mark Hannam. The article itself was a roundtable discussion among several prominent Brits and British agents, including Bank of England deputy governor John Gieve, Anatole Kaletsky of the *Times* of London, Martin Wolf of the *Financial Times,* and speculator George Soros. Kaletsky set the stage by asserting that the "hedge fund industry" has remained "relatively unscathed through this whole thing," leaving Soros to predict that "private equity funds will replace the investment banks as the dominant force in the economy." Wolf noted that "senior bankers" were actively discussing a significant consolidation of the banking system.

Kaletsky also raised the issue of punishing the directors of Citigroup and Bear Stearns, to which Soros, with his typical disdain for humanity, replied, "Why not shoot them?"

London Bridge Is Falling Down

Obviously, the idea that the private equity firms could bail out the banking system is insane, as is the idea that these firms are "relatively unscathed." Their claimed $400 billion in available assets is made up of the same worthless paper the banks are holding, so this scheme would merely add junk to junk, solving the problem in appearance only. The system cannot bail itself out by shifting junk from one pocket to the other.

Sarkozy and Quarles pointed out that 39 of the 42 financial institutions which sold stock to bolster their capital positions since last Summer, are now trading below the price at which that stock was issued, costing investors more than $35 billion. Over $300 billion in emergency capital injections has been arranged, and the pool is drying up, both because of the poor returns and because the system itself is shutting down. Another $400 billion from the pirate equity funds, assuming they pumped in all the available capital they claim to have, probably wouldn't last the quarter. After all, the $3.6 trillion in loans the central banks have pumped in since the crisis began hasn't stopped the slide, and against that amount the funds of private equity are trivial.

There's something else going on here, most likely plans to jettison a chunk of the banking system, while protecting the Anglo-Dutch core with the fig leaf of private equity capital. Both the *Wall Street Journal* and the *Times* of London are owned by Rupert Murdoch's News Corp., and *Prospect* is politically a spinoff of the *Financial Times,* and that, along with the presence of the Bank of England and George Soros, shows this to be a British operation. The goal would be to use the petrodollar and other hot money flows to save the oligarchy's main banks, and sink the rest. It is exactly the opposite of LaRouche's HBPA proposal.