Banking Zombies Say:

'We Refuse To Die,' as Body Parts Fall Off

by John Hoefle

Oct. 31—Can anyone actually be that stupid? Judging by the latest bailout moves by Bush Administration's Treasury Secretary Hank Paulson, Fed Chairman Ben Bernanke, and the rest of the clowns at the Plunge Protection Team, the answer is a resounding "yes."

This week the Fed launched yet another of its alphabet-soup bailout programs, the Commercial Paper Funding Facility (CPFF), to purchase commercial paper. By Oct. 29, the CPFF had bought $146 billion of the paper. The Fed already had a program to buy asset-backed commercial paper (the Asset-Backed Commercial Paper Money Market Mutual Fund Lending Facility), which held $96 billion as of the 29th, and the Fed is in the process of setting up a new Money Market Investor Funding Facility (MMIFF), which will lend up to $540 billion to a group of five special-purpose vehicles managed by J.P. Morgan Chase. The MMIFF will buy certificates of deposit, bank notes, and commercial paper.

These programs join the Term Auction Facility (TAF),the Forward TAF program, the Term Securities Lending Facility (TSLF), the TSLF Term Options Program, the Primary Dealer Credit Facility (PDCF), the $29 billion loan to facilitate the purchase of Bear Stearns by J.P. Morgan Chase, and the $120-plus billion in loans to American International Group (AIG). To date, the Fed has issued $1.4 trillion in loans through the TAF and $1.1 trillon through the TSLF.

Then there is the Fed's $755 billion in reciprocal currency arrangements with 14 of the world's central banks. This currency swap program is designed to provide dollars to foreign-market institutions to settle dollar-based derivatives transactions and related transactions. These swaps agreements have grown hyperbolically with the settlements crisis in the derivatives markets; the program began in December 2007, with $24 billion in swaps with the European Central Bank ($20 billion) and the Swiss National Bank ($4 billion). The Fed expanded the program in March, raising the total to $36 billion, and in May, expanded it to $66 billion. In August, it expanded the program three times, adding more banks and more money, increasing the amount to $247 billion on Aug. 18, and ending the month at $620 billion. The Bank of England, in its latest Financial Stability Report (an oxymoron, to be sure), said that the world's central banks have issued $7 trillion in loans, purchases, and guarantees since the crisis began. That's equivalent to half the gross domestic product of the United States—an enormous number, but just a drop in the bucket of what would be needed to put a dent in the global financial crisis.

These bailout facilities have been growing at an accelerating rate, in a vain attempt to keep up with the accelerating losses in the financial system, as the effects of the collapse of the system percolate through the books of banks, hedge funds, mutual funds, and other market players. The crisis has now spread into the largest and most secretive market of all, the multi-quadrillion-dollar global derivatives market, which was built with leverage, and is now experiencing a reverse-leverage blowout which dwarfs all other financial crises in history.

The banks are, at this point, essentially zombies, dead but unwilling to admit it. They are screaming "We refuse to die!" even as their corpses rot, and parts begin to fall off. They are in hysterical denial, preferring their delusions of solvency, and willing to destroy the world rather than accept the consequences of their actions.

Touted as the strongest of the U.S. banks which "escaped" the "mortgage crisis," J.P. Morgan Chase has, by far, the largest derivatives exposure of any bank in the world, with $99 trillion in notional value of derivatives outstanding at mid-year, according to the Office of the Comptroller of the Currency—as much as the derivatives exposure of the next seven U.S. derivatives-holding banks combined. It is also the world's largest hedge fund manager, with $45 billion under management. With hedge funds falling left and right, and the derivatives market imploding, Morgan Chase is king of the zombies; not even the Fed's trillions can save it.

Nasty Rats

Rats don't always leave a sinking ship, as the case of HSBC shows. HSBC Holdings plc is the London-based holding company for the Hong Kong and Shanghai Bank, notorious as the flagship of the British East India Company's Southeast Asian opium trade, and today, perhaps the most powerful bank in the world. The Hong Shang "rules from Singapore to Vladivostok," Dr. Franz Pick told *EIR* in 1981. Pick was then an advisor to the

Venetian insurance giant Assicurazioni Generali and the Father General of the Jesuit Order; he described himself as an "advisor to the subterranean economy" of dope money, flight capital, and other hidden money flows.

The British East India Company was the vehicle used by the Venetians to take control of England and form the British Empire, making HSBC part of the inner elite of the Anglo-Dutch Liberal System. As such, the full-page advertisement HSBC ran in the Oct. 26 *New York Times Magazine* is worth reporting. It was dominated by three photos of a large, vicious-looking rat, over which appeared the words "free-speech," "camaraderie," and "clout." We can only presume that the use of these ugly red-eyed rats reflects the oligarchs' intent toward the world in the current period. The Bank of England's Mervyn King warned back in May that "the nice decade is behind us," and now HSBC is unleashing the rats, as the Brutish Empire moves to smash the nation-states of the world in a vain attempt to save itself.

The role of Standard Chartered Bank as the "nerve center" of the British bank bailout plan, as asserted by the Oct. 19 *Sunday Telegraph* of London, if accurate, would also reflect the rats of the Brutish Empire moving to the fore. Standard Chartered has been a linchpin in the empire's operations in Africa and Southwest Asia since the mid-19th Century, and the bank has been a major player in the western Asian drug trade.

While the central banks are pumping trillions of dollars into the financial rathole, the physical economy is in free fall, as money desperately needed to fund the rebuilding of infrastructure and productive capacity upon which human life depends, is wasted in a futile, hyperinflationary bailout. World agro-industrial capacity, operating below breakeven for decades, has now fallen below primitive survival levels. The resulting decline in relative potential population density—carrying capacity—below current population levels, means that without the global economic development programs proposed by Lyndon LaRouche, the population will shrink to the levels of the decreased potential. This is a sign that the world has already entered a new dark age, and will deteriorate sharply as the bailout-induced hyperinflation accelerates.

The world has reached a *punctum saliens,* a point where our actions, or our failure to act, will determine whether civilization survives or fails. Either we act in concert as creative human beings, or the rats of the empire will rule the resulting rubble.

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