

A WARNING TO THE SLIME MOLD

The ‘Winners’ Often Turn Out To Be the Biggest Losers

by John Hoefle

Jan. 23—During the early months of 2007, the Royal Bank of Scotland was on top of the world. RBS was battling another British giant, Barclays, for control over Dutch banking giant ABN AMRO. Allied with RBS were two other large European banks, Fortis and Banco Santander, and backed by a gaggle of powerful hedge funds, the trio blew up Barclays’ deal with the Dutch bank, and took it over.

The victors were ecstatic. Royal Bank CEO Sir Fred (“The Shred”) Goodwin was lionized in the British press as the epitome of British bankers.

Where are they today? RBS, which just announced \$41 billion in losses for 2008, is now a ward of the state, with 68% of its stock owned by the British government. Fortis suffered a similar fate, at the hands of the Belgian, Dutch, and Luxembourg governments, while Santander is being kept alive, largely, via loans from the European central banks. The victors turned out to be losers, and today, Sir Fred is being called the “worst banker ever,” by the British press.

There is a lesson here for the oligarchs of the Anglo-Dutch Liberal empire and those who ally with, or capitulate to, the imperial hyenas. When you do the wrong thing, sometimes it is your very success which dooms you.

Will God Save the Queen?

Lyndon LaRouche’s warning to the Brits that they would not survive the financial collapse is being borne

out in spades. In the early stages of this crisis, the Bank of England stood on the sidelines, the creatures of the empire encouraging the Federal Reserve and the European Central Bank (ECB) to turn on the monetary spigots. It was the sort of move which earned Britain the nickname “Perfidious Albion”: Let your supposed allies destroy themselves while you hang back and pick up the pieces. Betrayal, honed to a fine art.

The creatures of this London-centered empire thought they could induce the United States and the nations of Europe to commit economic suicide, leaving the empire free to rule the world. Their fantasy is that they could destroy their rivals, the nation-states of the world. To do so, they deployed their time-tested strategy of painting a false view of the world, and then using lies, corruption, and greed to induce their targets to accept that false view. The victims are induced to destroy themselves.

Honed by this oligarchic system over the centuries, these techniques can be quite effective. It was by these methods that the empire lured the United States into creating the biggest financial bubble in history, a bubble which would inevitably pop, and take the empire’s greatest rival, the U.S.A., down with it. Not only that, but when the bubble did finally pop, the victim had become so confused and corrupted, that it tried to save the disease rather than take the cure.

It was, by the standards of the empire, a highly successful operation. But—and it is a big “but”—along

the way, the empire became so decadent, so convinced of its own superiority, that it lost sight of the fact that it was also laying the seeds of its own destruction.

The oligarchs are cannibals of a sort, feeding off the rest of the world, and their very success is killing them. In their hubris, they have destroyed so much of the world that they, too, are doomed.

As the crisis deepened, the Bank of England slowly

began to participate in the bailout schemes, not on the scale of the Fed and the ECB, but participating, nevertheless. Now, with the latest British bailout plan, the Bank of England is, seemingly, jumping into the fray. Seemingly, because one should never take the British at their word, and the details of the new plan are vague. What this may be is yet another trick, part of a ploy to lock the Obama Administration into maintaining the

Has Congress Now Realized The System Is Finished?

Jan. 23—Facing the reality that the current financial *system* is bankrupt and finished is a crucial first step toward implementing Lyndon LaRouche's solution. The following statements, made during Senate debates on Jan. 21, indicate that that reality is finally beginning to sink in.

The first to state the bold truth was former Federal Reserve chairman Paul Volcker, now a leading advisor to President Barack Obama, who testified at the confirmation hearings of Treasury Secretary nominee Timothy Geithner.

"To put it starkly, we are in a serious recession with no end clearly in sight. The financial system is broken. It's a serious obstacle to recovery. There is no escape from the imperative need for the Federal government to come to the rescue to right the economic and financial ship of state."

The next was Sen. John Kerry (D-Mass.). After acknowledging his agreement with Volcker's characterization that the "financial system is broken," adding that, "this is the mother of all financial crises," Kerry continued:

"The problem I have is that, as it is currently proposed, the House [of Representatives] package and the investment package—I fear it stands a good chance of simply being wasted and of not having the impact that we want our overall economic recovery package to have, because—*because the system underneath it is broken.*

"People are fond of saying that we have a crisis of confidence. I don't believe we have a crisis of confi-

dence. I think we have a *reality crisis*. We have a real crisis in the fiscal reality of our lending institutions. And since they all know it exists, they're all frozen. And they hold back. And until you fix that, we're not going to be in a position to make the investment package and the other things we need to do, take hold the way they need to....

"There are too many zombie banks out there, and I'd like to know if you and the President are prepared to put before us this comprehensive plan so that we can vote with confidence that we're delivering the American people and the message to the marketplace that we need...."

Later, in the course of the hearing, both Senators Olympia Snowe (R-Me.) and Maria Cantwell (D-Wash.) took up the issue of financial derivatives, which are acknowledged by many to be a leading cause of the bankruptcy of the system. Cantwell, in particular, pressed the point that derivatives were a "mistake," in the words of former Securities and Exchange Commission chairman Arthur Leavitt, and that no such "exotic tools" should be allowed to wreak havoc with the lives of Americans. LaRouche has called for wiping them out.

In a different venue, Sen. Bob Corker (R-Tenn.) also rose to speak on the state of the financial system. A zombie banking system is being created, Corker said. Large banks are insolvent, and need to be seized. Write-downs must be done. The longer we wait, the further we will be from dealing with the root issue.

I talk to bankers on Wall Street, Corker continued. They know they are insolvent. We have to face it like adults. Face up to the insolvency. Face up to these major losses.

Corker couldn't be more correct. All that's missing, is the bankruptcy reorganization that LaRouche has called for.

destructive bailout policy of the Bush Administration. It wouldn't be the first time.

However, there is real panic in the City of London, and in the British government these days, as the financial system upon which the income of the empire depends disappears, and what passes for the British nation begins to disintegrate. The situation is so grave that the inner core of the oligarchy—the relatively small group of families which dominates the rest—may believe that they have no choice but to sacrifice some of their valued assets in order to save themselves.

The Bank of England, established in 1694, and originally constructed on top of a Mithra temple, has long been a key vehicle for financier control of the British Empire. Used by the Venetians to take over England, it has been the model for the central banking system through which the oligarchy has ruled the world. It is the model for the essential features of the Fed, the central banks of Europe, and the ECB.

If the Bank of England is going to be used to fund a bailout on a large scale, then the Bank itself will inevitably be destroyed. A decision to do that, would mean that the top families have decided that the complete collapse of their financial system is inevitable, and that they are in survival mode, going to ground, in the hopes that they can emerge later, after the dust settles, to take control of whatever is left.

Even if the British bailout plan is a trap set for the Obama Administration, the result will be the same. The Anglo-Dutch monetary system has died, never to return, and all the financial institutions within that system are doomed. Some of the names may survive, but what emerges from this collapse will be far different than what we have seen. Only God can save the Queen at this point, and that is highly unlikely, given their adversarial relationship.

Signs of Sanity

This collapse is occurring with stunning speed. Public statements that the banking system is insolvent have become commonplace, and the discussion over closing the zombie banks, instead of merely bailing them out, is now spilling over into the press. Nobel Prize winner Paul Krugman has called publicly for closing zombie banks, instead of keeping them open via financial “voodoo.”

“Many influential people, including Federal Reserve officials, bank regulators, and, possibly, mem-

bers of the incoming Obama Administration, have become devotees of a new kind of voodoo: the belief that by performing elaborate financial rituals we can keep dead banks walking,” Krugman wrote in his column in the Jan. 19 *New York Times*. He used as an example “GothamGroup, or Gotham for short,” a deliberately transparent reference to Citigroup, saying it “is a zombie bank: it’s still operating, but the reality is that it has already gone bust.”

“Many—perhaps most—big banks are essentially insolvent and have been for a long time,” Frank Partnoy wrote in the *Financial Times*, the day before. “It is incredible that they lost so much money on derivatives but even more amazing that they stayed alive for so long afterwards.”

Economist Nouriel Roubini told a conference in Dubai Jan. 20, that financial losses could reach \$3.6 trillion, and that if so, “the U.S. banking system is effectively insolvent because it starts with a capital of \$1.4 trillion. This is a systemic banking crisis.”

The bankruptcy of the system is no longer a secret, whispered in the inner sanctums of the banks. It is out in the open, as is the debate over what to do next. Many influential players now agree with LaRouche’s diagnosis of the problem, but are having trouble with the solution.

Putting the system through bankruptcy proceedings, writing off quadrillions of dollars of unpayable derivatives bets and debt, is not for the timid. Some would rather go down with the ship than admit that the system in which they believed was a fraud, that they were fools, and that the pile of money they love is a fiction. Others are willing, but feel they lack support. But, as LaRouche said in his Jan. 22 webcast, this is the time. We have to do it now.

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