

IMF admits global banking crisis is out of control

by John Hoefle

“Feed the bubble, kill the people,” is the essence of the policies put forward at the annual meetings of the International Monetary Fund and the World Bank, in Washington, D.C. on Sept. 28 through Oct. 1. Such policies are by no means new to the IMF and its sister in crime, but their implementation has taken on new urgency due to the in-progress *systemic collapse* of the global financial system.

The IMF’s goal, as IMF Managing Director Michel Camdessus told the agency’s board on Oct. 1, is “to take urgent care of the Achilles’ heel of the global economy today, the fragility of national banking systems.” “In many countries,” Camdessus continued, “a banking crisis is an accident waiting to happen. . . . On the basis of recent experience, let me tell you that this is something we truly don’t want to see repeated. . . . We must also avoid the systemic consequences such a crisis can entail.”

Camdessus’s comments echoed a statement he made at a Sept. 28 press conference of the Inter-American Development Bank, when, in response to a question about where the next “financial lightning” might strike, he said, “I suspect that it will start with a banking crisis.” At the same press conference, letting more than a touch of hysteria show through his banker’s demeanor, Camdessus also demanded the urgent “reform” of Ibero-America’s national banking systems, lest the continent experience replays in Brazil or elsewhere, of the banking crises in Mexico and Venezuela.

“Ladies and gentlemen,” Camdessus pleaded, in a manner reminiscent of King Canute trying to hold back the sea, “Nevermore! Nevermore! This just cannot be so!”

Behind the IMF’s crumbling public facade of confidence, and its projections that the alleged current global “economic growth” will continue, lies the terror that the worldwide bank-

ing crisis is out of control.

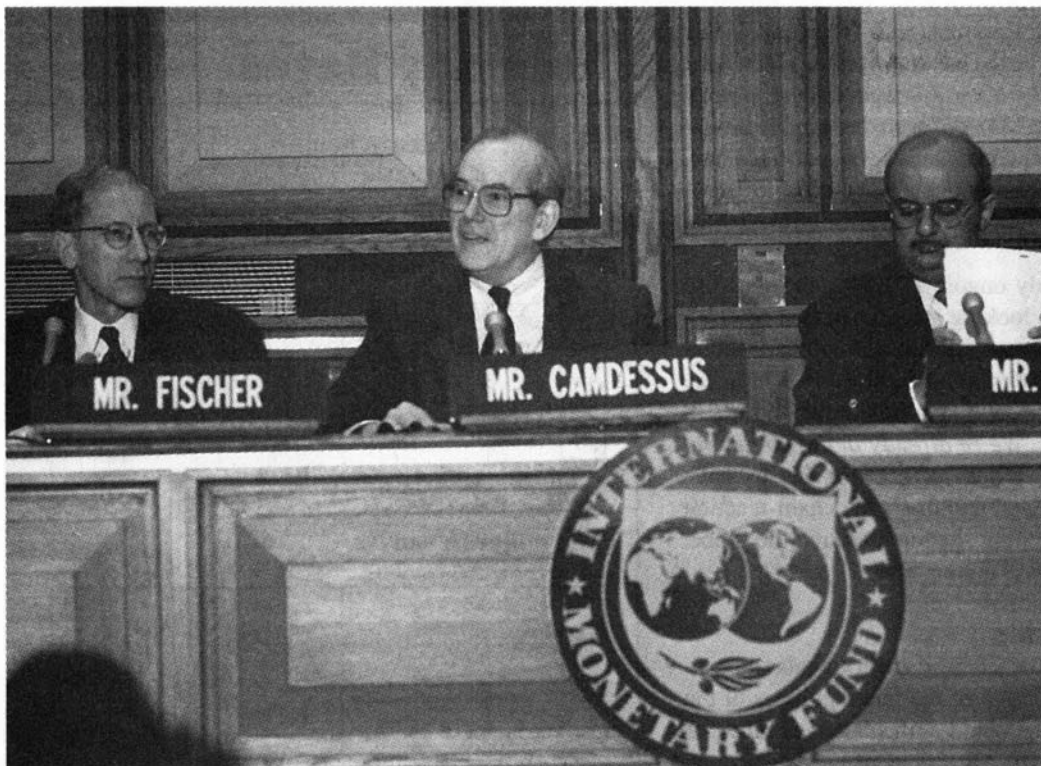
That point was reinforced by World Bank President James Wolfensohn, who for years has been involved in putting out system-threatening financial fires. “About one in five developing countries face the banking crisis that Michel Camdessus spoke about,” Wolfensohn stated, in an Oct. 1 address to the World Bank’s board.

What Camdessus and Wolfensohn know, but will not state openly, is that the international banking system as a whole, is already bankrupt, and that their only hope of keeping the system afloat, is to increase the rate of looting from national economies.

Blowout in progress

“The entire international monetary system, through the banking system as such, is in the process of a blowout,” warned economist Lyndon LaRouche, in an interview with the weekly “EIR Talks” radio program on Oct. 2. “It’s not something that’s *going* to happen, it’s something that *is* happening. And, what Camdessus and the IMF are expressing, is the fear that this is going to run totally out of control *very soon*.”

“The biggest potential blowout point now, is France,” LaRouche continued, citing the bankruptcy of Europe’s largest bank, Paris-based Crédit Lyonnais, into which the French government continues to pour billions of dollars to prevent its collapse. However, LaRouche noted, “the bailout gets bigger and bigger. The hole is getting bigger than all of France, so you can’t fill it up with France. If Crédit Lyonnais blows out, as it very well might, unless the French and others can get together and fill up the hole somehow, that, combined with some other banking crisis, Russia,



International Monetary Fund Managing Director Michel Camdessus, at a meeting of the IMF and World Bank in 1995. Today, Camdessus is warning that the fragility of national banking systems is "the Achilles' heel of the global economy." What he doesn't admit, is that the crisis is a direct result of failed IMF policies.

Japan, Brazil, Mexico: All of these places are ready to blow. Or, the Italian situation. That combination could lead to a systemic chain-reaction collapse, which I've been warning against."

The IMF, in its latest *World Economic Outlook*, cites "banking problems in the industrial countries," particularly in France, Italy, and Japan, where national banking systems "are experiencing significant bad loan difficulties." According to the IMF, the "banking sector problems that developed in Scandinavia and the United States in the early 1990s . . . suggest that when an industrial country's banking system reaches an annual loan-loss burden of 3-4% of loans outstanding, action may be needed to prevent a crisis."

Many weak links

In France, where some 8% of all bank loans are classified as non-performing, the projected \$15 billion bailout of *Crédit Lyonnais* is just the tip of the iceberg. French banks have rushed headlong into the global derivatives casino; according to the Bank for International Settlements, French banks had \$11.7 trillion in derivatives exposure at the end of 1994, second only to the \$14.5 trillion held by U.S. commercial banks, and well ahead of Japanese and British banks. The French bank *Société Générale* had the highest derivatives exposure of any bank in the world, with \$3.3 trillion; *Paribas*, with \$2.1 trillion, was fifth; *Banque Nationale de Paris*, with \$1.9 trillion, was ninth; and *Crédit Lyonnais*, with \$1.8 trillion, was eleventh. Were *Crédit Lyonnais* to fail, the resulting chain

reaction would wipe out the entire French banking system, and with it, the global derivatives market and its associated roughly \$1 quadrillion in annual financial turnover.

In Italy, some 10% of all bank loans are bad, and loan-loss reserves are low. "Authorities have provided about \$2 billion of financial support for bank restructuring, and many small banks have been merged with stronger ones," the IMF stated. However, warned one European businessman, "an investigation into Italian banks' balance sheets could bring down the system."

Japan, with the biggest banks in the world, has the largest volume of bad loans in absolute terms; some 5-6% are officially classified as bad, and the rating agency *IBCA* estimates the true figure is some 10%, according to the IMF. Japan provided huge amounts of capital for the global bubble in the 1980s and early 1990s, but has pulled back in recent years due to its own financial problems. And, according to Japanese banking sources, it is deliberately reducing its dollar exposures. The drying up of the Japanese funds, has accelerated the focus on the so-called emerging markets as sources of funds for the bubble.

These emerging markets, which are being looted with a vengeance to support the bubble, are also in trouble. In the Czech Republic, where a dozen banks have failed in the past three years, the central bank was forced to intervene in September to prop up *Agrobanka*, the nation's fifth-largest and most fully privatized bank. The time interval between bank failures in the Czech Republic is decreasing, while the size of

failing banks is increasing, leading Czech President Vaclav Havel to warn of a "cancer" in the banking system which must be cut out. The Swiss daily *Neue Zürcher Zeitung* warned Sept. 19, that "problems à la Mexico" were brewing in South-east Asia, particularly in Malaysia, Indonesia, and Thailand, all of which have larger foreign debts in relation to Gross Domestic Product than did Mexico when a crisis erupted there in 1994.

"The collapse is already ongoing," LaRouche stated to "EIR Talks." "What we're looking at, is the next shoe dropping, is *not* a banking collapse. That is already happening. It's happening globally. *Every major banking system in the world, except for China, is bankrupt, right now*, and it's in the process of unravelling. *We're already in the Great Depression of the 1990s, fully, as a financial crash*. We just have not been hit by the other shoe, and that's the chain-reaction explosion that sends everything shattered around the globe. And that's what Camdessus is talking about."

Growth versus genocide

The choice which must be faced by governments and people, is between the continuation of the failed policies of the IMF, which treat most of the world's population as cattle, or their replacement by scientific policies of growth based upon the power of human reason.

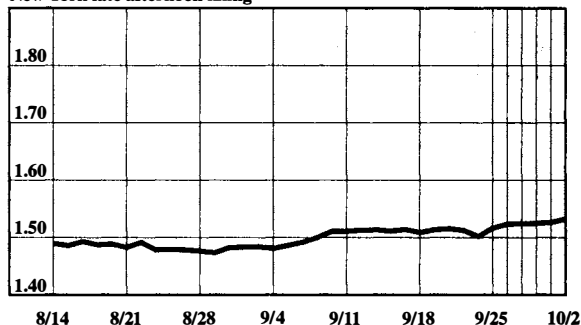
This situation "*can be controlled*," LaRouche observed. "The point is, is me. And, to the extent that I'm in an influential position as the crash comes down, I'm prepared to advise the government, which knows I'm here, ready to advise them, on how to react to the onset of such a crisis. The measures which should be taken, which I've outlined many times in writing, *will prevent Americans from being crushed financially, economically, by such a collapse*. If I'm not on the scene, then I think it likely that the worst will happen, and many people, many Americans, will die of economic causes, as a result of this crash. But, as long as I'm on the scene, and as long as I'm in a position to advise a very reluctant, admittedly, Clinton administration on what it has to do to deal with this crisis, we *can* get through this thing, without damage. As a matter of fact, if we do it that way, respond the way I plan that we must, then we'll come out of this *better* than we have been as an economy in the past 25 years."

In contrast to LaRouche's proposal to put the global financial system through bankruptcy reorganization, followed by a rapid buildup of national productive capabilities, the IMF and its sponsors have committed themselves to further looting, further destruction of nations and populations, in an attempt to postpone the inevitable collapse of the bubble. They do this deliberately, even though they *know* that these policies have killed, and will continue to kill, millions of people around the world. By the "know or should have known" standards established at Nuremberg, the IMF, its sponsors, and its lackeys, are guilty of crimes against humanity.

Currency Rates

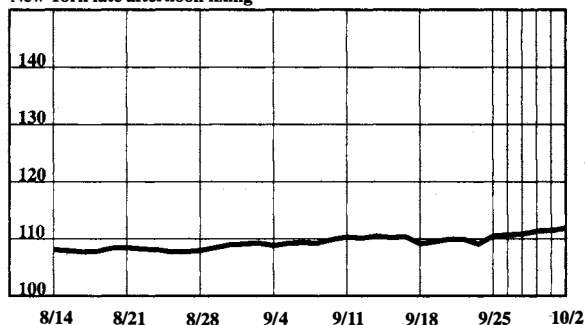
The dollar in deutschemarks

New York late afternoon fixing



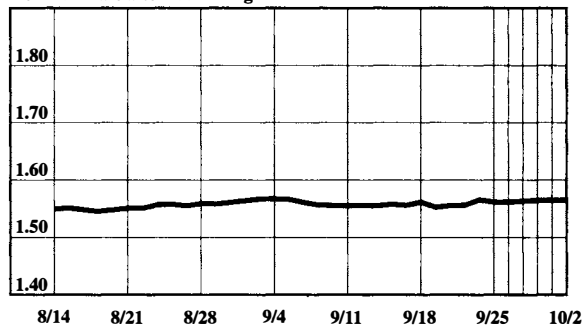
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

