

Global Banking System Blows Apart in Hobbesian Warfare

by John Hoefle

Oct. 8—In his July 25, 2007 webcast, Lyndon LaRouche declared that the global financial system had died, and could not be revived. We were all headed for Hell, LaRouche warned, unless the world rejected the British Empire and its monetary system, and implemented an American-style credit system. The financial oligarchy will try to salvage its system, he warned, but the effort will fail.

Now, four years later, after trillions of dollars (and euros)

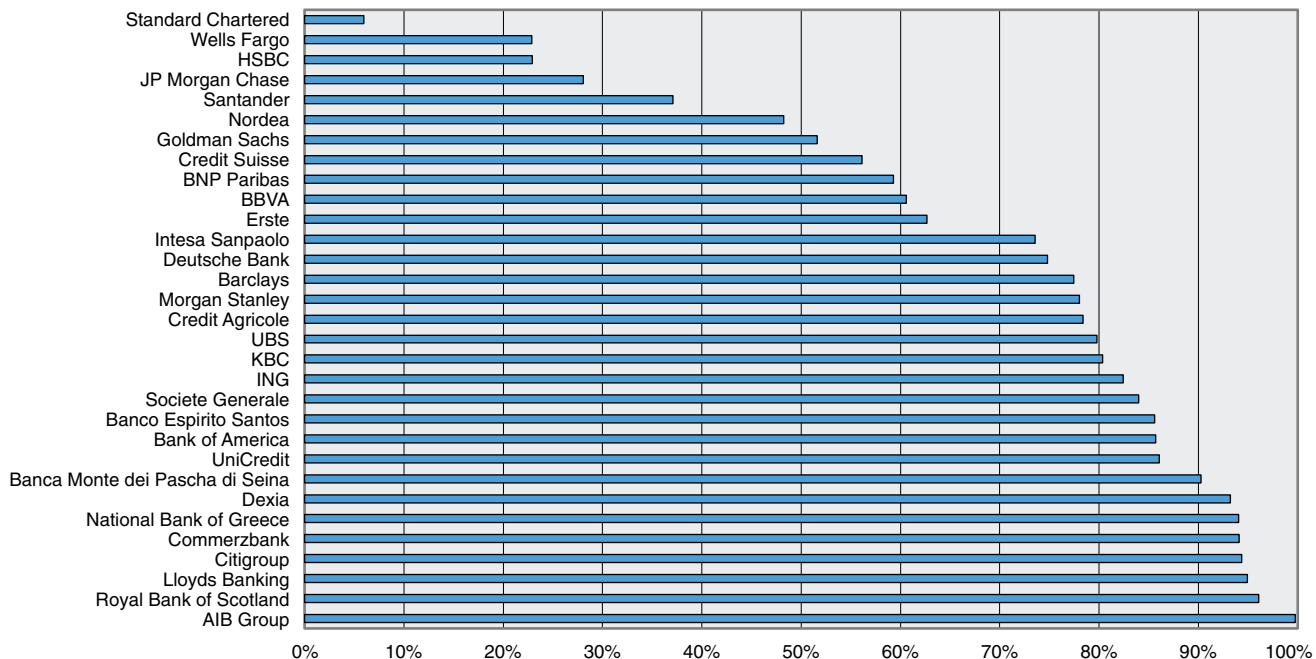
of bailouts, and endless lies about recovery, the bankers and government ministers are back in their emergency meetings, rumors are flying, and panic is in the air.

They should have listened to LaRouche.

Meltdown

One consequence of the failure to heed LaRouche’s warning can be seen in the dramatic erosion of the share prices of the big global banks (**Figure 1**). Of the 31

FIGURE 1
Banking System Meltdown
Declines in stock prices since July 25, 2007



Source: Federal Reserve

major banks we examined, eight have seen their share prices fall 90% or more, since LaRouche's July 2007 webcast. That group includes the Royal Bank of Scotland, RBS, (-96%) which, before the crisis, was the largest bank in the world by assets; its British peer Lloyds Banking (-95%); Citigroup (-94%); the ancient and powerful Banca Monte dei Pascha di Siena (-90%); and others. Fully half of that group—AIB (-99.8%), RBS, Commerzbank (-94%), and the National Bank of Greece (-94%)—are members of the Inter-Alpha Group, and four more Inter-Alpha banks—Banco Espírito Santos (-86%), Société Générale (-84%), ING (-82%), and KBC (-80%)—registered declines in the 80th percentile. The remaining three Inter-Alpha banks—Intesa Sanpaolo (-74%), Nordea (-48%), and Banco Santander (-37%)—also made the list, as did two former Inter-Alpha banks, Erste (-63%) and BBVA (-61%).

The U.S.-domiciled banks fared a bit better than their European counterparts. Citigroup led the plunge, followed by Bank of America (-86%), Morgan Stanley (-78%), Goldman Sachs (-52%), JPMorgan Chase (-28%), and Wells Fargo (-23%).

Nearly all, if not all, of the banks on the list have received substantial financial support and regulatory protection from their respective governments, and from the European Central Bank and the Federal Reserve. The Fed, we should add, provided billions of dollars to European-based banks, in addition to what it gave to U.S.-based institutions.

It was all money down the rathole, as should be blindingly obvious. A number of these banks are now owned by their governments, and the rest are effectively wards of the state. Whatever profits were made have long disappeared, leaving the national governments with the corpses, and the losses.

Without Glass-Steagall

While the big banks were going broke, they were also getting bigger. The U.S. banking system is now dominated by four giant banks, which control roughly half of the bank assets in the country **Table 1**. The two biggest, Bank of America and JPMorgan Chase, each have over \$2 trillion in assets, with Citigroup not far behind. All together, the top four have \$7.7 trillion in assets.

Compare that to the situation at the end of 1999, the year Glass-Steagall was repealed. The top four banks in

TABLE 1
Top 25 U.S. Banking Companies

(\$ Billions)

Rank	Holding Company	Location	Assets
1	Bank of America Corp.	Charlotte, NC	2,264
2	JP Morgan Chase & Co.	New York, NY	2,247
3	Citigroup	New York, NY	1,957
4	Wells Fargo & Co.	San Francisco, CA	1,260
5	Goldman Sachs Group	New York, NY	937
6	Morgan Stanley	New York, NY	831
7	MetLife	New York, NY	771
8	Taunus Corp.	New York, NY	412
9	HSBC North America Holdings	New York, NY	366
10	U.S. Bancorp	Minneapolis, MN	321
11	Bank of New York Mellon Corp.	New York, NY	305
12	PNC Financial Services Group	Pittsburgh, PA	263
13	Capital One Financial Corp.	McLean, VA	200
14	TD Bank U.S. Holding Co.	Portland, ME	190
15	State Street Corp.	Boston, MA	189
16	Ally Financial	Detroit, MI	179
17	SunTrust Banks	Atlanta, GA	172
18	BB&T Corp.	Winston-Salem, NC	159
19	American Express Co.	New York, NY	147
20	Citizens Financial Group	Providence, RI	132
21	Regions Financial Corp.	Birmingham, AL	131
22	Fifth Third Bancorp	Cincinnati, OH	111
23	Northern Trust Corp.	Chicago, IL	97
24	Keycorp	Cleveland, OH	89
25	RBC USA Holdco Corp.	New York, NY	85

Source: Federal Reserve

1999 had \$2.0 trillion in combined assets, and that was already a dangerous concentration.

The table of the top 25 U.S. banking companies is a testament to the criminal stupidity of repealing Glass-Steagall. Goldman Sachs, Morgan Stanley, and MetLife—two investment banks and an insurance company—are now in the top ten, thanks to the Fed's decision to let them become banks. At the time, it was stated explicitly that the move would not only allow these new "banks" to qualify for additional bailout facilities, but would also let them tap their customers' deposits to fund their speculation—precisely the activity Glass-Steagall outlawed.

Table 1 also shows the extent to which foreign banks have entered the U.S. market. HSBC North America is the U.S. arm of HSBC, née Hongkong and Shanghai Bank, the world's leading dope bank. Taunus, which

contains the remnants of Bankers Trust, is owned by Deutsche Bank. TD Bank is the U.S. arm of Canada's Toronto-Dominion Bank, while RBC USA belongs to the Royal Bank of Canada. Citizens Financial is owned by the Royal Bank of Scotland.

As these banks become bigger and more global in scope, they have less and less allegiance to their nations of origin, and more and more allegiance to the global monetary system run by the British Empire. To view them as American banks, or French banks, or German banks, is to miss the point. They are imperial banks, creatures of the empire, imperial parasites infesting the nations in which they operate. And they are sucking us dry.

Hyperinflation

The leading edge of hyperinflation in the world today is in the derivatives markets. It was the seizing up of the derivatives markets in 2007 that LaRouche recognized as a sign the game was over. The so-called subprime crisis, as we have repeatedly indicated, was actually a derivatives crisis. LaRouche called for the derivatives market to be shut down as a matter of national security. Since doing so would effectively shut down their predatory financial system, the bankers declined. Instead, beginning in December of 2007, and escalating in September 2008, they chose the bailout, and more derivatives.

As of June 30, 2007, the quarter before LaRouche's webcast, the top ten U.S. derivatives banks held a total of \$159 trillion in derivatives, against \$7.9 trillion in assets (**Table 2**). As of the end of the second quarter of this year, four years later, the top ten banks held \$330 trillion in derivatives, against \$10.8 trillion in assets. That is, the notional value of derivatives had more than doubled, while the assets rose by 36%. All told, U.S. bank companies now hold some \$333 trillion in derivatives. Ten years ago, it was \$43 trillion.

The 2011 list also shows the effects of the repeal of Glass-Steagall, with Morgan Stanley (\$56 trillion) and Goldman Sachs (\$53 trillion) on the list, and the derivatives of Merrill Lynch adding to the total of its parent, Bank of America.

The obvious point is that the U.S. banking system is far more of a casino than it was when Glass-Steagall was repealed in 1999, and more of a casino than when LaRouche declared the system dead in 2007. Instead of swallowing their losses and putting the imperial monetary system through bankruptcy proceedings, the bank-

TABLE 2

Top U.S. Derivatives Bank Holding Companies (\$ Billions)

June 30, 2007			
Rank	Holding Company	Assets	Derivatives
1	JP Morgan Chase & Co.	1,458	80,388
2	Citigroup Inc.	2,221	34,865
3	Bank of America Corporation	1,536	30,341
4	Wachovia Corporation	720	5,154
5	HSBC North America Holdings Inc.	484	4,405
6	Taunus Corporation	579	1,211
7	Bank of New York Company, Inc.	126	953
8	Wells Fargo & Company	540	830
9	State Street Corporation	112	619
10	PNC Financial Services Group, Inc.	126	216
Total		7,902	158,983

June 30, 2011			
Rank	Holding Company	Assets	Derivatives
1	JP Morgan Chase & Co.	2,247	78,977
2	Bank of America Corporation	2,264	74,811
3	Morgan Stanley	831	56,402
4	Citigroup Inc.	1,957	55,186
5	Goldman Sachs Group, Inc.	937	53,405
6	HSBC North America Holdings Inc.	366	3,905
7	Wells Fargo & Company	1,260	3,663
8	Bank of New York Mellon Corporation	305	1,424
9	State Street Corporation	189	1,361
10	Taunus Corporation	412	974
Total		10,768	330,107

Source: Office of the Comptroller of the Currency

ers and their captive governments played "double or nothing." They lost. We all lost.

The Feckless Fed

As a result of the bailout, the Federal Reserve turned itself into the world's largest and most bankrupt hedge fund **Table 3**. Between LaRouche's 2007 webcast and last week, the Fed became a dumping ground for worthless assets, taking in all sorts of toxic paper in exchange for loans. According to the Fed's own statistics, the central bank increased its holdings of securities by a whopping \$2.7 trillion, including adding \$881 billion in Treasury securities and \$871 billion in mortgage-backed securities. Total assets rose over \$2 trillion, a

TABLE 3

The Fed's Bloated Balance Sheet

(\$ Billions)

Item	July 25, 2007	Oct. 5, 2011	Change	Change %
Securities Held Outright	791	2,651	+1,860	235%
U.S. Treasury Securities	791	1,672	+881	111%
Mortgage-Backed Securities	0	871	+871	n/a
Total Assets	902	2,903	+2,002	222%
Total Capital	33	52	+19	57%

Source: Federal Reserve

222% increase, while total capital rose just \$19 billion (57%). The Fed increased its leverage from 26 to 55 over that period.

These are the official numbers, and given the level of lying by the Fed, there is no reason to believe them. But even if they are accurate, there are questions to be answered. We know the Fed has given billions of dollars of aid to foreign banks, and we know the Fed has provided billions of dollars to the European Central Bank and others to pass out as loans. The actions of the Fed strongly suggest that the Fed has taken upon itself the role of lender of last resort for the entire global financial system. That is, the Fed has illegally committed the United States, and its taxpayers, to cover the speculative gambling debts of banks and investors all over the world.

The actions of Treasury Secretary Tim Geithner in September in Europe, where he advocated a "Euro TARP" bailout program based on the "TALF" (Term Asset-Backed Securities Lending Facility), show the mindset. The TALF used \$20 billion from Treasury to back up to \$200 billion in loans from the Fed, to fund purchases of commercial mortgage-backed securities, and securities backed by credit cards, student loans, and the like. The TALF loans were structured in such a way that if the buyers did not make a profit on their securities, they could give them to the Fed, in lieu of repaying the loan. It was, in effect, free money, and even the wives of Wall Street executives got in on the act.

The Fed has provided free money to the banks in other ways, such as making loans for them to buy Treasuries at near-zero interest rates. The move helps keep the Treasury market liquid, and lets the banks pocket the difference between what they pay for the loans and the interest the government pays them on the Treasur-

ies. It's a sweet deal for the banks, and another rip-off of the taxpayers.

Bailing Out Derivatives

The TALF swindle is typical of the derivatives-like structures used to fund the bailouts in the U.S. and Europe. The bailouts are, in effect, derivatives, and are worth no more than the derivatives deals they are trying to save.

The nature of the system would be almost comical, were it not so deadly. The banks engage in such obscene speculation that they blow up the world, and then they demand that the governments bail them out. It's a circular system, in which the governments borrow money from the markets, and use that money to bail out the markets, giving the markets the money to make additional loans to the governments. With each round, the total debt increases, making the situation even worse.

The bailout is a scam, using the techniques of the derivatives market to roll over unpayable debt, keeping up the appearance of life in the dead system, while the British Empire sets up the system's replacement: a genocidal global dictatorship. Since they plan to kill us anyway, they might as well steal us blind in the meantime.

While the bankers play Satan with humanity, the effects on the population are horrendous. The gut-wrenching austerity being imposed upon Greece is but the leading edge of what is planned for all of mankind. Take a look at some of the physical indicators in the U.S.:

- **Food Aid:** At the time of LaRouche's July 2007 webcast, over 26 million Americans were receiving food aid under the Federal Supplemental Nutrition Assistance Program (SNAP). By July 2011, that number had soared 70%, to 45 million.

- **Poverty:** In 2007, some 37 million Americans were living below the official poverty level. By 2010, that number had increased 24% to 46 million, meaning that another 9 million people had fallen into poverty.

- **Health Insurance:** In 2007, 44 million Americans were without health insurance. By 2010, another 6 million had lost coverage, bringing the total to 50 million.

We are being slowly killed by the British Empire and its financiers, and the rate of death is accelerating. How many people have to die before we wake up and put a stop to this monstrosity?

Give Humanity Credit

The only alternative to this deliberate genocide is to use the power of sovereign nation-states to break the power of the British Empire. The way to do this has been made clear by LaRouche. Dump Obama. Reinstate Glass-Steagall. Form an alliance with Russia and China to put the imperial monetary system through bankruptcy, return to the American-style credit system, and begin rebuilding physical productivity through Great Projects like NAWAPA. Cure the disease, then rehabilitate the patient.

Forget any idea that the current financial system can be saved, and don't be trapped into holding on to it to save your own money. Not only are your investments gone, but so are your pensions. The bankers have already stolen the money, and are using the illusion that it still exists to keep you in their trap.

The only way out of this mess is to rid the planet of oligarchism, and build a real economy based upon human progress and creativity. Put the 'garchs in a zoo where they belong, and let's show the galaxy what humanity can do!

Lyndon LaRouche ON Glass-Steagall AND NAWAPA:

The North American Water and
Power Alliance



"The greatest project that mankind has ever undertaken on this planet, as an economic project, now stands before us, as the opportunity which can be set into motion by the United States now launching the NAWAPA* project, with the preliminary step of reorganizing the banking system through Glass-Steagall, and then moving on from there."

"Put Glass-Steagall through now, and I know how to deliver a victory to you."

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