

This Financial System Is Gone

The reality of the bankruptcy of the current international monetarist financial system hit home again this week in Europe, with the eruption of a bond crisis in Spain, in particular. All of a sudden, those “experts” who had been crowing that they had poured enough liquidity into the banks to “prevent disaster,” were scrambling to try to preserve the appearance of financial stability, by a combination of further hyperinflation and slashing living standards of the European population to the bone.

Coming on the eve of the semi-annual meeting of the IMF and World Bank, this flare-up was more than a little embarrassing. After all, the new scheme for supranational bank bailouts in Europe depends upon new contributions to the IMF for that purpose, without which the coffers are bare. Yet, so far only Japan has definitively offered to pony up a substantial sum (\$60 billion).

The crisis, of course, is not a Spanish crisis, but one of the debt-soaked banking system as a whole. The average “leveraging” of banks throughout Europe has reached 26:1, very near the point that triggered the 2007-08 trans-Atlantic bank collapse. The debt claims, or “value,” of Euro banks’ “assets” (forget derivatives) have reached nearly 300% of total European GDP (the U.S. ratio is currently 85%, for comparison). And those Eurobanks’ “assets” equal almost 13 times the ECB’s asset book, which itself has reached about \$4 trillion.

Every semi-sane financial analyst admits that if the European blowout proceeds, it will be ripping apart the entire trans-Atlantic banking system, the U.S. definitely included. No wonder the Obama Administration has repeatedly intervened in the European discussions, demanding more bailouts,

and providing, mostly in the shadows, a constant flow of U.S. funds.

And what about the so-called U.S. recovery, the constantly referenced “good news” for the world economy? This line is the equivalent of a sick joke.

The facts are clear to anyone willing to face them. Real unemployment, measured by the crucial metric of lack of participation in the labor force, is at record highs. One-fifth of those who actually have jobs are working part-time, and income is stagnant or collapsing—as shown by the fact that approximately 50 million Americans are officially on some form of food assistance, and about the same number were counted, as of early 2010, as having incomes under the poverty line. The fact that a few auto factories have re-opened in Michigan—President Obama’s re-election pitch—does nothing to change the devastating picture.

True, virtually none of the nation’s prominent political figures are willing to address this reality. That fact contributes mightily to the deep demoralization which continues to characterize the American electorate.

The fact is, however, that we are reaching the end of the line, and the *system* must be changed. Permitting the British Empire’s bankrupt financial oligarchy to proceed with its “solution,” will literally result in the decimation of the human race in the futile attempt to save the bankrupt financial empire. Yet, solutions are available, literally at our fingertips: Glass-Steagall just as FDR implemented it, re-establishment of a credit system for restarting production, and the immediate launching of NAWAPA—that’s the three point program the United States, and the world, need now. We need only get Obama out of office, and then do it.