

# How To Stop the Global Financial Meltdown Over a Weekend

by Helga Zepp-LaRouche

*Here is Zepp-LaRouche's keynote address to the July 27 EIR webcast.*

I am very happy to address you all.

This is a rather unusual format for a webcast, bridging the Americas and Europe. But I think the special issue which we are addressing today, actually warrants such an approach, because we are right now confronted with an unbelievable danger to human civilization. We are very immediately threatened by what could become a global fascist regime. We are also in the middle of a financial breakdown, and quite related to that, we are also on the verge of a third world war, which easily could and would become a thermonuclear war, and therefore leading to the extinction of civilization.

The reason I'm saying that, given the fact that I'm speaking from Germany—I have the example of what happened in the '30s in Europe, and even though the situation today is much more dramatic, there are, parallels from which we can learn lessons. Because, as the world very bitterly had to experience, we in Europe reacted to the Great Depression of the '30s, with fascism. We had Hitler, we had Mussolini, Franco, and the Pétain regime in France. And out of these fascist economic solutions and fascist regimes, came World War II.

Fortunately, in the United States, Franklin D. Roosevelt chose a completely different approach, and that was actually to take on the banking system of Wall Street, to im-

plement Glass-Steagall separation of the banks, to go for a Pecora Commission to put the criminals into jail; and then, with the New Deal and an infrastructure program, he successfully led the United States out of the Depression.

These two examples are also, today, the two possible roads that we can take as a human civilization. Today, very literally, you have Wall Street and the City of London, and the EU Commission, going for fascist solutions, and they're quite open about it, as I will shortly illustrate. The good thing is that the fight for a return to Glass-Steagall is making tremendous progress in the United States. Just in the last two weeks, we had an unprecedented mobilization in the United States, in the Congress, in the Senate, in a nationwide mobilization, and now you have a bill in the Congress, which has so far been co-sponsored by 71 Congressmen. We have two different bills in the Senate, also for Glass-Steagall, and we have many, many national and regional organizations, who have come out demanding the immediate imposition of Glass-Steagall.

## **Congress Must Adopt Glass-Steagall Now**

Today is the 27th of July. Congress will go into recess on the 2nd of August, and we are trying nothing less than to get the Congress to adopt Glass-Steagall before the recess, or, to stay in Washington, because the crisis is so immediate, that a postponement could prove to be too late, and fatal.

The situation is very urgent:



EIRNS/Christopher Lewis

*"We have to shift to the true identity of mankind," Zepp-LaRouche declared, "to invent new physical principles, to compose beautiful Classical music, to write beautiful Classical dramas and poetry."*

The system is hopelessly bankrupt. There are presently \$1.4 quadrillion in outstanding derivatives contracts, and if these come due, nothing in the world can save this system. If one of the “too big to fail” banks fails—it is not going to be one bank—it would immediately bring the danger of what has been called a “supernova,” namely the evaporation of the entire financial system.

This is completely known to the financial oligarchy, after five years of the bailout policy, which already was a gigantic transfer of wealth from the poor to the rich, in a period in which the gambling debts of these speculators have been transformed into public state debt. That option is still on the table; they’re still printing money, but it has been exhausted, and therefore, they’re now trying to do an additional thing, apart from hyperinflationary money printing, so-called quantitative easing—they have come up with a new “tool” so-called, which is called the “bail-in” tool.

The first time the world has seen what this bail-in tool is, was the so-called Cyprus model, the Cyprus template, in which they just expropriated, on one fine day, all the investors and depositors of the Cyprus banks, and basically gave them a “haircut,” cutting down the deposits by 60%. And this, as a consequence, has caused an immediate reduction of life-expectancy, whose figures I will show you momentarily.

Now, the Cyprus template was only the first step. This is supposed to be done everywhere. The second such model was executed just now in Detroit, where the same template was applied, in which, according to a so-called “creditor hierarchy,” the large banks, speculators, and traders would get 80% of their money, while the pensioners and other public employees would only get pennies on the dollar. This was just ruled by Kevyn Orr, the emergency financial manager of Detroit.

The bail-in is basically an expropriation of the depositors. This tool has been worked out by Financial Stability Board, which is a sort of a subsection of the Bank for International Settlements, in collaboration with the ISDA, the International Swaps and Derivatives Association, which consists of the 20 or so too-big-to-fail banks, or the G-SIFIs, the global systemically important financial institutions, which have worked together with the EU Commission on legislation which is being debated right now in the European Parliament, and which already exists in Great Britain and in Switzerland as law, and in the United States.

According to this “creditor hierarchy,” derivatives are exempt from expropriation, while the real assets of

the people, the living standards, the pensions, the wages, all of this, is being cut to a tiny percentage. And it is very clear: If you apply the Cyprus template, or now, the Detroit template, to the entire Eurozone, which is what the idea is, and to the entire United States, you will kill millions of people! They’re now openly calling for fascist solutions.

### **Bankers Demand Fascism**

J.P. Morgan, which is one of the too-big-to-fail banks, recently published a [16-page paper](#), “The Euro area adjustment: about halfway there,” in which they say that they have only succeeded halfway in establishing a banking dictatorship, and that what has to be removed now, is the obstacle to implementing a full dictatorship, namely, the constitutions, especially of southern Europe, which were adopted as an answer to fascism, and therefore, they still had principles in them which make it impossible to impose the measures the bankers want to impose. These constitutions, for example, have basic human rights provisions, and they have protectionist principles, which protect wages, pensions, and the dignity of human beings and so forth.

That call by J.P. Morgan was then seconded by a paper from the Boston Consulting Group, the world’s second-largest management consultancy; they openly said that the kind of austerity which they want to implement in Europe, but also in the dollar zone, requires solutions like in the ’30s, an environment like in the ’30s, meaning very clearly, fascist governments. And then they say that the average “haircut” which they propose for the Eurozone would be 34% of all assets, but some countries would have to take more, like Greece, 47%; Spain, 56%; Portugal, 57%.

That is presently the official policy of the G20. Because at the recent G20 meeting in Moscow in July, they put out a statement endorsing the Financial Stability Board guidelines for a bail-in policy. The IMF, for its part, in its new assessment of the Eurozone crisis, said, this is all not enough; we need to have an immediate banking union, a central European cross-border resolution authority. What that means is that all the depositors of every country, every savings bank, every person who has deposits in these banks, would be called upon: If you have, for example, the gambling debts of one of the large hedge funds of an investment bank causing the default of such a bank, and because Dodd-Frank has that already in it, you would have not only European-wide cross-border resolution authorities, but



Creative Commons/Ed Yourdon

*The nation of Greece is being systematically crushed, its people subjected to brutal austerity, on orders of the financial predators. Here, a woman begs for money in the center of Athens.*

international ones. So, every person in the Eurozone and in America would basically be expropriated if these banks should collapse.

The President of the Bavarian Cooperative Union, Mr. Stephan Götzl, called this law an “enabling law,” like that which the Nazis did in the ’30s; and Mr. Götzl said, “We in Germany have, unfortunately, bad experiences with enabling laws,” and therefore, he is rejecting this. The reason is, that the German savings banks do not want to be held accountable if large gambling banks collapse.

If this is implemented—and that is planned for this Fall—given the size of the outstanding debt, and given the other problems of the world economy, such as, the existing food shortage, which is caused by a combination of the EU agricultural policy, the agricultural policy of the Obama Administration, and misuse of food for biofuels, the non-compensation for droughts and floods which have destroyed large agricultural production areas, the failure of the energy policy in Germany—this puts the real economy in a terrible crisis!

So therefore, this bail-in would mean the *instant death* of millions of people, and it would lead to chaos. And obviously, the idea is to implement fascist dictatorships simultaneously in the entire trans-Atlantic region.

### **The Four Horsemen**

Now, I know from absolutely reliable sources, that in the circles of the EU Commission, there is discussion among themselves, that they want to reduce the life ex-

pectancy of the population to 66 years. Because, they say, with all these demographic changes, people are getting older; we can not afford to pay the pensions any more. How do they want to reduce the life expectancy to 66 years? Well, it’s the known, proven method of the financial oligarchy, with the Four Horsemen of the Apocalypse: Hunger, Pestilence, War, and Death. And that is being used.

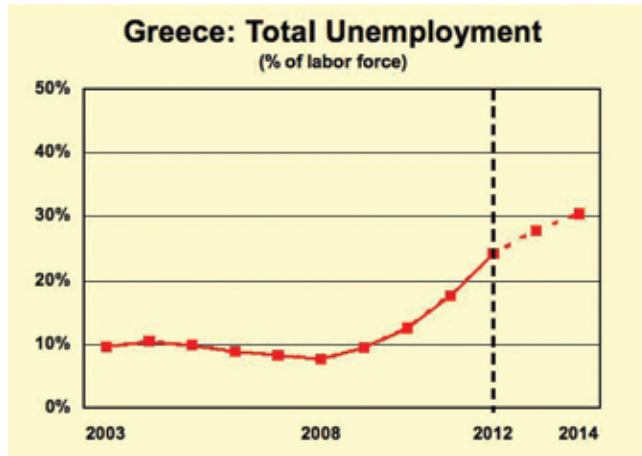
So, if you see these political measures, it’s not innocence, and incompetence: They want deliberately to cull the human population, and they want to implement the policy of the British Empire, which has said openly, repeatedly, the aim is to reduce the world population from presently 7 billion to 1 billion human beings!

There is a direct correlation between economic policies and the destruction of productive capacity and life expectancy. For example, the Robert Koch Institute in Germany just put out a study showing that the rich in Germany, which is still a relatively wealthy country, live 11 years longer than the poor. The German Medical Association put out a statement in May that there is a direct correlation: The lower the income, the lower the life expectancy will become. They call it “a shame,” saying that in a rich country like Germany, this should not be the case.

But the number of poor, even in Germany, has massively increased in the last 10 years. In other countries it’s even more dramatic. For example, in Glasgow, Scotland, in the poor district of Calton, the median life expectancy for men is 54 years; in the rich district of the same city, in Lenzie, it is 82. In the fourth poverty report of the German government, which recently came out, they say that the wealthiest 10% of the population owns more than 53% of all assets, while the lower half only possesses less than 1% of all assets.

In Greece, the picture looks even more dramatic. The UN Human Rights inspector Cephias Lumina accused the Troika—that is the IMF, the ECB, and the EU Commission—of having massively committed violations of human rights, through austerity, liberalization, privatization, reduction of wages, layoffs, excessively rigid measures. Unemployment in Greece has massively gone up, to about 27%; 64.2% youth unemployment; homelessness has gone up by 25%; there is a poll now, which shows that people in Greece

FIGURE 1



have lost all hope; they're only governed by rage and despair.

People were asked, "What is your perception of the economy?" and 98% said "bad." "What is your trust in the government?" 90% said "none." The population was reduced by 1 million out of 10 million, so 10% disappeared, through emigration and early death. The birth rate has gone down 10%. Stillbirths, in a European country, have increased 20%!

There is a complete collapse of the health-care system. The supplies for life-saving medications—for cancer, antibiotics, and other things like anesthetics—have gone down by 90%; 15% of the people are without any health care; they are lacking 6,500 doctors and 20,000 medical staff. And the number of children who are now in the category of suffering "severe material deprivation" has gone up to 320,000! Now, that is a

FIGURE 3

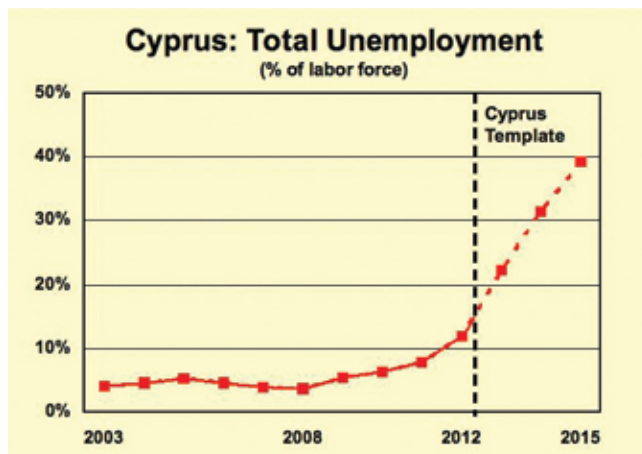


FIGURE 2



quite sizable city of children, living in complete poverty. Suicides in Greece increased 26%, in one year from 2010 to 2011.

### The Cyprus Template

Now, let's look at the Cyprus template. Let's first look at the figure, "Greece, Total Unemployment" (Figure 1). Here you have the success story of the IMF (Figure 2). These are the figures I just had mentioned.

Now, let's go to the "Cyprus template": The bail-in robbed the depositors of 70% of domestic deposits. A study just showed that the economy, as a result of this, is shrinking by 60%. It means that all the little stores, the family stores, what people are living off, have just been eliminated. With the present policy, Cyprus has *no chance* of recovery! The unemployment is expected to go up to 40% by 2015 (Figures 3 and 4).

FIGURE 4

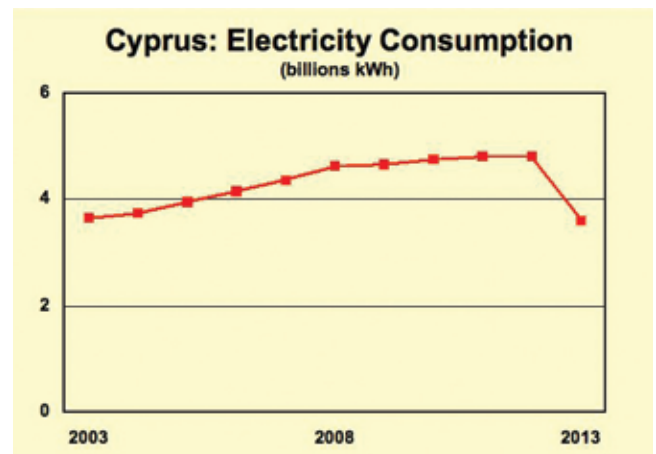




FIGURE 5

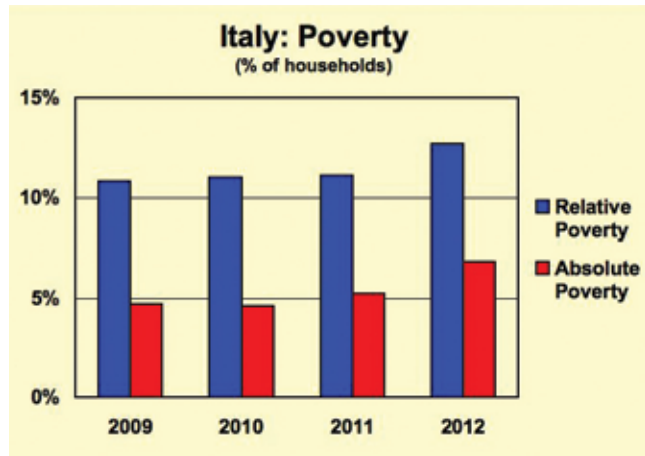
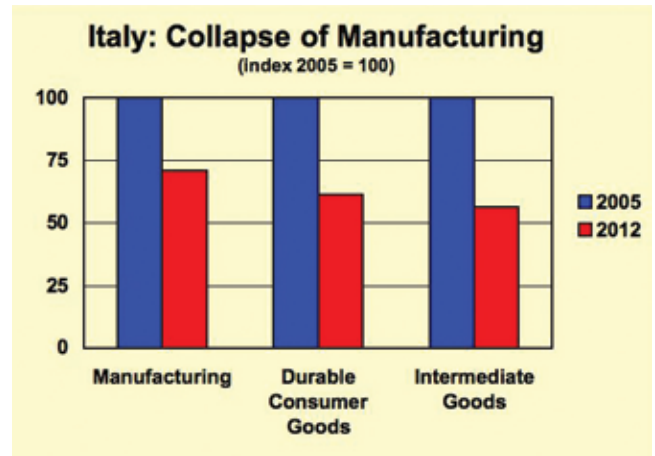


FIGURE 6



Now, Italy, which is after all, the third-largest country in the EU, is also targeted for murder (**Figures 5 and 6**). One of the co-authors of the Club of Rome, which is one of the evil oligarchical institutions responsible for the lie of the “Limits to Growth,” which is one of the founding organizations of the worldwide ecologist movement—one of the *Limits to Growth* co-authors, Jorgen Randers, just correctly said that the EU Commission represents an “elitocracy,” meaning an aristocracy of the elite, which has been able to impose measures on these countries that would never have been able to be implemented by nationally elected governments—which is absolutely true.<sup>1</sup>

Then he praises the Monti government, for having

1. See “Eurobankers Drive for Financial Fascism,” *EIR*, July 26, 2013.

implemented measures in Italy which have caused the lowest birth rate *in the world*—and that, in a Catholic country—namely only 1.3 children per woman, and has created conditions where women have to choose, to either work or to give birth, but they can not do both at the same time (**Figure 7**). In 2012, as a result of this, there was a negative demographic record: 12,000 fewer babies than in 2011, and a higher death rate, namely 19,000 more people died, so the total reduction in the population was 78,697, which is the size of a small or medium-size city.

Youth unemployment had a 45% increase; unemployment is now at 12.20% (**Figure 8**), and health expenditures have been reduced by 1.9%. Patients allowed into hospitals, 500,000 fewer; available hospital bed, 15% less; and the suicide rate has gone up massively there as well.

FIGURE 7

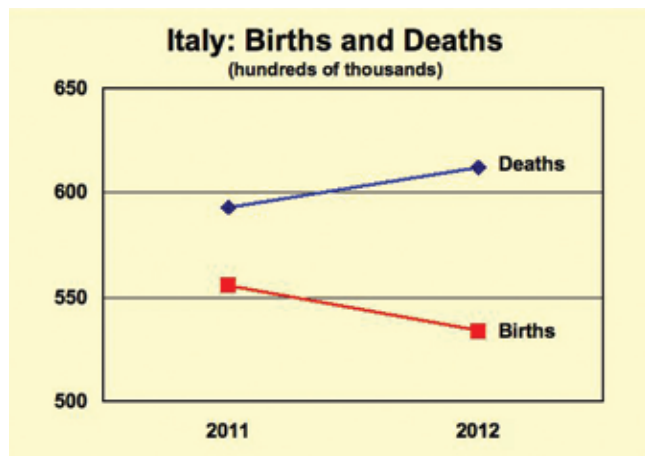
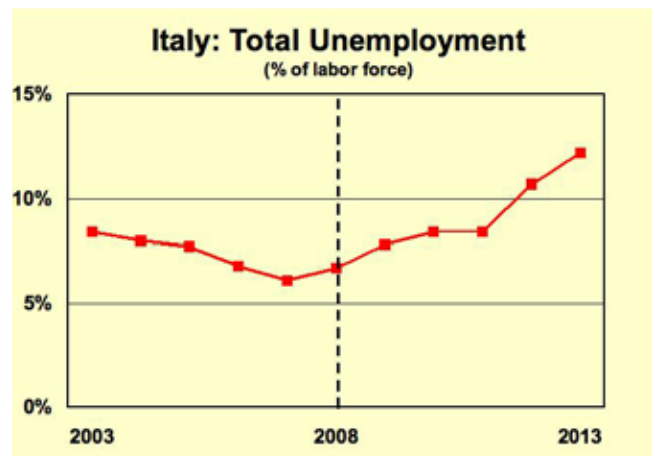


FIGURE 8



## As Detroit Goes, So Goes...

If you think this is only the case in the poor, southern European countries, I can assure you, that the same condition exists also for the United States. The *Journal of the American Medical Association* just put out a report saying that the life expectancy in the United States is 78 years of age. But in many areas, the division between the poor and the rich is equally dramatic: For example, in McDowell County, West Virginia, average life expectancy for men is 63.9; in Fairfax, Virginia, it's 81.7. Now, the United States, in the list of OECD countries, has now only placed 27th in life expectancy, and you can see with Detroit the same tendency as in Greece, Cyprus, and Spain (Figures 9, 10, and 11).

One should really say, this is not a natural catastrophe, and it is completely unnecessary. In Detroit, in 2005, Lyndon LaRouche intervened when the auto crisis reached really a crisis point, by proposing the retooling of the machine-tool sector—to retool the

machine-tool-design and machine-tool areas of the auto industry; to build other things, such as large agricultural vehicles, maglev trains, high-speed trains, sluices for waterways; and this would have saved the very important capacity of the auto industry, which now is totally collapsed, and has been shut down.

What happened instead, was that they went to fix the shortfalls in the pension funds, with a complex of financial deals; they took out \$1.4 billion to purchase a series of derivatives for hundreds of millions of dollars. Two service corporations then established trusts which then sold the so-called “pension obligation certificates of participation” to investors. The city, in order to cover itself, also bought credit insurance, which was supposed to reimburse the investors if these trusts should default. The banks which were involved in this were Merrill Lynch, UBS, Dexia, Commerzbank, and others.

The interest rates of these hedges quickly became a problem, and when, in 2009, the credit rating of Detroit was downgraded, it triggered a clause forcing Detroit to buy itself out of the deal, and that cost several *hundreds* of millions of dollars; the city then signed a deal that backed future payments with tax revenues from the city's casinos. And that had the nice side-effect of turning these banks from unsecured creditors into secured creditors. This is why now, when the insolvency of Detroit was declared, these banks harvested 80% of available assets, while the pensioners and others get nothing or pennies.

The cost of these credit default swaps was also largely increased through the criminal Libor manipulation, in which the 20 or so largest banks in the world manipulated the Libor interest rate over decades, causing the 75% of all cities in the United States which participated, a total of *three-digit billions* in losses! They also caused massive losses to American hospitals, to nursing homes, to townships in Europe, and they have literally killed al-

FIGURE 9

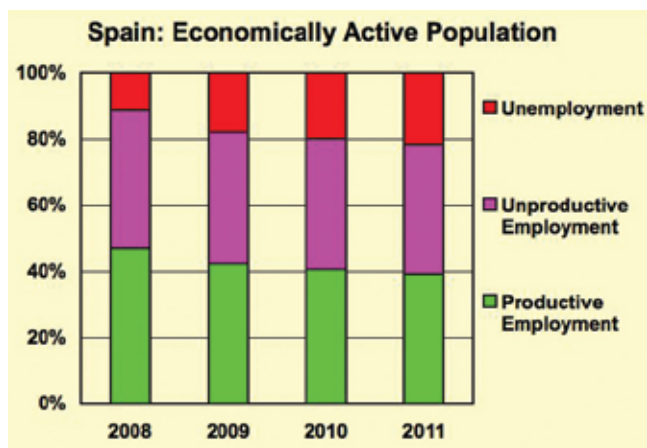


FIGURE 10

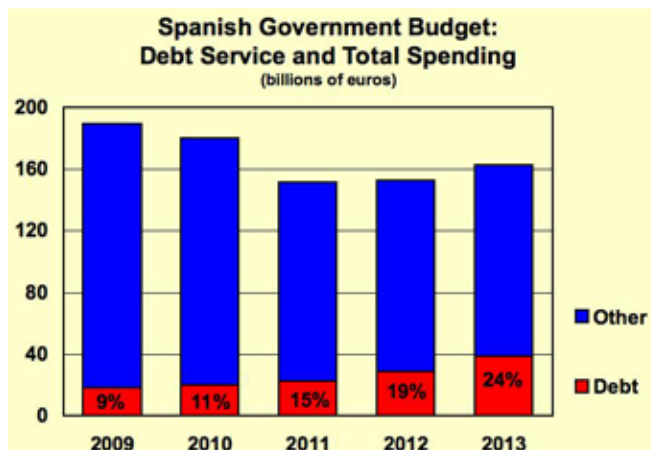
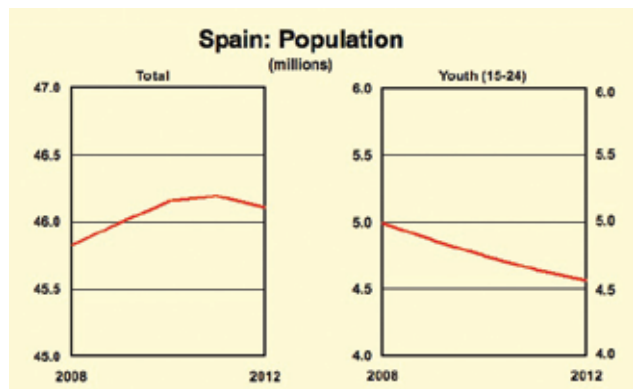


FIGURE 11





EIRNS/Steve Carr

*The once-great city of Detroit has been subjected to the same “template” as the nations of southern Europe, albeit, in slower motion. Here, an abandoned Studebaker plant.*

ready many, many people through these effects.

This is a total violation of the constitution in Michigan, and we have declared the fight for Detroit to be the turning point for this banking fascism in the United States. And we will do everything in our power to not let this go through.

We’ve also worked out a plan for the economic development of southern Europe, which could be implemented *immediately*, if the political will could be mobilized. This is a kind of a Marshall Plan for Southern Europe and the Mediterranean, which would eliminate poverty, it would start to create productive workplaces, and it would give hope and a vision to the population there. This is ready-made. It could be started tomorrow.

### **Glass-Steagall or World War III**

But the problem is, that Wall Street and the European banking sector have developed into a large, criminal monster, sucking the blood out of the population. They also have established a perfidious revolving door, whereby banks own parliamentarians, deploy their employees to become parliamentarians, or work as aides in the Congress, or in the Bundestag, or in other parliaments, and then pay them large sums for their deals.

The problem is, that the *only way* that we can get rid of this crisis, *is* through the immediate implementation of Glass-Steagall. We have to bankrupt Wall Street, we have to bankrupt the City of London, and those investment banks which are behind this fascist scheme. If Glass-Steagall would be implemented by the U.S. Congress right now, we would protect the commercial banks and everything which has to do with the real economy, and you would force the too-big-to-fail banks to clean up

their books by themselves, without having access to the deposits of the depositors, without bailout packages from the taxpayers.

And given the nature of the system, they would all have to declare bankruptcy, and we don’t need them! *We do not need* derivatives, we don’t need investment banks, but we need national credit generation coming from the sovereign government, and then we can create as much credit as is needed to get the real economy going as necessary. This is exactly what Roosevelt did in 1933.

And right now, there is almost a revolutionary process going on in the

United States; and we have introduced similar bills, for example, there are five such bills in Italy; there is a huge discussion about Glass-Steagall in many countries in Europe; and if the United States would go for Glass-Steagall, it could lead to an immediate, dramatic change of the world situation.

There is another aspect of why we need Glass-Steagall, without delay: We are on the edge of World War III. Through the revelations of Edward Snowden, the biggest scandal in the history of the world has come out. The NSA is spying practically on everybody in the United States, in Europe, Latin America, and many other countries; they have established a global surveillance of all communications, from e-mails, texts, phone conversations, and everything else. And it is such an unbelievable violation of human rights and privacy that the Brazilian President was quite correct to call for a UN General Assembly meeting to discuss this.

Now, more from the funny side: There is a German economist with the name of Helmeyer, who has said that, in an alliance, there should be the principle of equality, so, why don’t the U.S. banks and other institutions give all their e-mails and phone data to the European banks, to the European firms, the European governments, and other institutions, so that everybody in Europe and Latin America can look into the private communications of lawyers, judges, Congressmen in the United States? And that way, we would have all equal conditions. Now, that is a proposal for consideration, as well.

### **The Drive for Global Empire**

But more on the serious side: What is causing the United States and Great Britain, with their Tempora

program—which is, according to Snowden, even worse than the NSA spying—what causes them to be so absolutely obsessed to spy on the whole world in this way? Well, unfortunately, it has everything to do with “globalization,” or the idea that they are really trying to subject the whole world to a global empire.

Now, that idea—to risk thermonuclear war and potentially even go for preemptive nuclear war against Russia and China—has the same reason: global empire. The official journal of the U.S. Air Force, a couple of months ago, had an absolutely outrageous article, in which they wrote that, due to technological developments in nuclear weapons technologies, in the delivery system, in targeting, and acquisitions, the previous NATO doctrine MAD [mutually assured destruction], is no longer valid. That the implementation and use of nuclear weapons no longer leads to the necessary destruction of everybody, but you can now take out the nuclear arsenal of an opponent, without nuclear fallout; and therefore, the United States could survive a preemptive nuclear strike against Russia and China.

Now, that that article was not a lone reaction is demonstrated by a new article in the [Yale Journal of International Affairs](#), written by Prof. Amitai Etzioni, which I also would advise our listeners and viewers to read themselves. In it, Professor Etzioni is ringing the alarm bells, so to speak, saying that there are, right now, plans by the Obama Administration to launch a preemptive nuclear strike against China. That the Air-Sea Battle doctrine is compelling the United States to do exactly that; and he says that there must be an urgent debate among elected officials about the fact that this *is* the plan of the United States!

And I agree! There must be an urgent debate internationally, because, according to the Nuremberg Tribunal, according to the UN Charter, and every international law, not only is the preparation for aggressive war a crime against humanity, but all the more, the preparation of a nuclear war! And I think we need to have an *immediate, international discussion* and revolt against such a doctrine.

Also, the Assistant Treasury Secretary in the Reagan Administration, Paul Craig Roberts, just put out a very alarming video, in which he said the same thing, that the U.S. is preparing for nuclear war.

## **We Can Change the Paradigm**

So, we need to have Glass-Steagall. Because *only* if we implement Glass-Steagall can we derail such insane

plans, because we need to change the entire paradigm. We are right now, as a human civilization, at the abyss of extermination, and we need to change the paradigm, completely, away from oligarchism, greed, monetarism, the idea that man can only know about reality through sense-perception, because man is supposedly only a higher form of animal; or even as the Greenies are saying, a parasite against nature, and the fewer human beings the better for nature. Or, that the only identity for man is to find the pleasure in the here and now.

But we have to shift, to the true identity of mankind: Mankind is the only creative species. We are the only ones who can make willful changes in our mode of existence, and the fact that we have increased our population capacity, from a couple of million, to presently 7 billion, and can easily extend that to several two-digit billions of people, is only possible, because man, in his cognitive identity, can, again and again, through technological and scientific progress, change the mode of his own existence.

We need to have completely new ideas, and a vision about what should the future of human civilization be. We must have human beings, not competing with swine and pigs, like certain bankers are doing in trying to get to the trough first; but we have to have human beings who have their identity as creative human beings, who are capable to all the time invent new physical principles, to compose beautiful Classical music, to write beautiful Classical dramas and poetry.

Now, this is the conception of man, which man needs if we, as a species, are going to not only come out of this crisis, but to guarantee our existence over the next several millions of years, as mankind in space. Because mankind is not sitting on a planet which is in a vacuum, but we will have to confront dangers like asteroids, we will have to deal with problems which will be taking place with the Sun, a very long time from now. But we have to just simply change our entire way of thinking, and develop a human species which is worthy of the dignity of man.

I think we are capable of doing that. I'm absolutely optimistic that the human species is the most beautiful creation in this universe, and that we can get out of this crisis. But it will only be possible if we change the paradigm, if we implement Glass-Steagall, if we establish a sovereign alliance of perfectly sovereign republics in the tradition of John Quincy Adams. And then, we have the most beautiful future ahead of us.