

TESTIMONY BEFORE THE DANISH PARLIAMENT

Only Glass-Steagall Bank Separation and a New Bretton Woods Credit System Can Prevent Financial Collapse

On November 22, 2018, Tom Gillesberg, Chairman of the Schiller Institute in Denmark, presented testimony before the Business Committee of the Danish parliament, the Folketing. Gillesberg reminded the committee of the Schiller Institute's 2007 election campaign forecast before the last crisis, and the deregulation that caused it. He also pointed to its proposals for Glass-Steagall and other measures which have not been heeded, and warned of the coming crisis. The edited transcript of Gillesberg's testimony follows below.

I am Tom Gillesberg, Chairman of the Schiller Institute in Denmark.

The Danish public has had a sudden awakening to the true state of the Danish financial world. For many years, *Danske Bank* [Danish Bank] has been deeply involved in money laundering, and both the bank's management and the Danish Financial Supervisory Authority completely failed to act, after they became aware of the problem many years ago. It has also been revealed, that other major SIFI banks [Systematically Important Financial Institutions] in Denmark have colluded in tax evasion, and have failed in their fight against fraud and money laundering. Finally, many of



In 2007, Independent Tom Gillesberg campaigned for Parliament with the slogan, "After the financial crash—Maglev across the Kattegat."

warned about this already in 2007, when I ran for parliament with the slogan: "After the financial crash—Maglev across the Kattegat" [the body of water separating the island of Zealand, where Copenhagen is located, and Aarhus, Denmark's second largest city on the Jut-



land peninsula]. But our warnings were ignored.

Then, after the crash in 2008, where only a Danish government guarantee covering all financial institutions prevented a meltdown in the Danish banking world, when we suggested how to clean up the financial world through the imple-

the Danish banks, as well as their international colleagues, have contributed to the looting of the Danish and foreign treasury funds through fraudulent dividend tax rebates (also known as Cum-ex).

All of this shows that it is not a matter of individual problems, or of individual bad apples, but of a systemic problem in which the entire banking and financial world is suffused with uncontrolled greed, putting its own financial gain above the law and the general welfare. The policy of deregulation and of allowing the financial world to control itself, has failed.

This was actually already evident in connection with the meltdown of the international financial system in 2007-2008. I, and other activists from the Schiller Institute,



Danske Bank

This Systemically Important Financial Institution has been caught deeply involved in money laundering.

mentation of Glass-Steagall bank separation, which would separate the wheat from the chaff in the process—separate normal banking activity, important to the society, from the casino economy—there was again an institutional refusal to listen, both in Denmark, and the rest of the Western world. They would not put an end to the unhealthy behavior in the financial world that had created the collapse in 2008.

At that time the obsession was to save the banks and all other players in the financial world, with bank bailouts and “quantitative easing,” at the expense of the real economy and the living standards of ordinary people. Today, we are facing a coming financial crisis potentially far worse than the one we experienced in 2008. The Danish measures of letting banks and mortgage companies increase their capital solidity (with customers’ money) will not prevent a new crisis. We still have no fire doors that can prevent fire in a part of the financial world from spreading to the entire financial house.

The Imminent Financial Collapse

There are many ticking time-bombs under the international financial system. In the wake of the U.S. Federal Reserve Bank’s rate hikes, there are more and more warnings about a coming meltdown of the \$3.5 trillion U.S. corporate debt market, where more and more unsecured loans are being repackaged and resold in many different disguises—similar to the bad U.S. mortgage loans in 2007-2008. This has been accompanied by a fall in the stock markets, and a sharp fall in economic

growth in the United States and Europe. The Bank for International Settlements warned of this dangerous development in its annual report in July, and the Bank of England did something similar in October. Then, the IMF’s explicit warning of falling corporate bond markets came in the IMF blog on November 12.

A collapse of the mortgage debt market will have greater consequences than the collapse of the U.S. subprime loan bubble in 2008. Once the crisis is triggered, it will hit banks all around the world. Behind their polished surfaces, these banks have become even bigger, and even more bankrupt than they were in 2008. Like the lead-up to the 2007-2008 crisis, there has also been a collapse of, and capital flight from the so-called “emerging markets,” and the gigantic, unregulated

market for financial derivatives can implode at any time.

The Solution

The Schiller Institute and the international LaRouche movement have proposed a coherent solution for how we can surgically remove the speculative cancer tumor and create credit for productive investments, both internationally and here in Denmark.

The New Silk Road. While most of the economy in the western world has been lagging for the last ten years, and most people have experienced a falling standard of living, China has continued to experience strong economic growth and has been able to lift more and more of its citizens out of poverty. China now has more kilometers of high-speed rail lines than the rest of the world combined. New towns, water projects, power stations and other infrastructure have been built, making it possible to take care of a growing population, with an increasing standard of living.

In 2013, China’s President, Xi Jinping, launched this development policy on the international level with the Belt and Road Initiative, also known as the New Silk Road, which today is twelve times larger than the U.S. Marshall Plan after World War II, and over sixty countries are now participating. Denmark ought to be a prominent part of this development agenda, especially in Africa and South-West Asia.

A New Bretton Woods Credit System. On November 30, the G-20 summit will convene in Argentina.

The Schiller Institute has suggested that the summits between President Trump, Xi Jinping and Putin be used to establish a new Bretton Woods credit system, in cooperation with India's Prime Minister Modi. A new version of the old fixed-exchange system, as established after World War II, but now enhanced to create long-term credit for the development of all nations, must be brought into existence. This is the only way to prevent the ongoing disintegration of the current City of London and Wall Street-based financial system from leading to chaos and possibly war.

LaRouche's Four Laws. In Denmark, we can prepare measures now that can protect our economy against the upcoming financial tsunami. The Schiller Institute has proposed Lyndon LaRouche's Four Laws, a conceptual script to turn our economy away from financial speculation, and back to physical economy, and scientific and technological progress:

1. We must enact Glass-Steagall bank separation for the Danish financial sector, where we clear out and reorganize the banking system, dividing normal banking activity from financial speculation. The financial supermarkets must be separated into normal banks, investment banks, mortgage business, and insurance, each on its own. Banks and other financial institutions must be divided and reduced in size, so they no longer constitute a systemic risk, and the government deposit guarantee will only apply to normal banks.
2. We must create government credit for productive investment in the economy.
3. We must channel part of this credit into major infrastructure projects, and other things that increase productivity, and energy flux-density



Schiller Institutet

Gillesberg campaign poster (left) from 2011: "Glass-Steagall—Or Chaos!" Above, Gillesberg heads a Schiller Institute delegation to Parliament in Copenhagen, Nov. 22, 2018. From left to right: Christian Bechmann Olesen, Michelle Rasmussen, Gillesberg, and Muhammad Yasin.

in the economy, and create the next, higher economic platform for Denmark, such as a Kattegat bridge and a national maglev network, and fixed connections between Helsingør, Denmark and Helsingborg, Sweden, and under the Fehmarn Belt to Germany.

4. We must invest heavily in research and development in areas that create future technologies, such as nuclear power, fusion energy, and space research.

The biggest mistake we could make, would be to believe that we can leave these questions to the financial world. It has proven that it has neither the moral compass, nor the necessary solutions, to ensure our future. Therefore, the state must now assume its responsibility and establish the necessary laws and regulations to safeguard the general welfare and the future of Denmark and the Danish people. In light of the recent bank scandals, there is broad public backing for doing just that.

Thank you.