

The Nuclear Warmongers Set a Financial Collapse in Motion

Oct. 9—The most extreme war government in Europe, that of UK Prime Minister Liz Truss, by stupidly pledging to bail out the price-gouging energy merchants of that war on Russia with £200–400 billion in borrowed government funds, has set off “instability” in a quadrillion-dollar global bubble of unpayable debt and derivatives. It has lit a match under the tinder that the U.S. Federal Reserve and European central banks have been piling up since the last global financial crash, in 2008. Now that the bonfire of all that financial speculation is beginning to burn, political leaders and active citizens around the world must prepare, through urgent conferences and discussions, a new economic architecture. That new architecture must block debt leverage for speculation and instead fund credits for development, for infrastructure of power, water and health, and for industrialization. It must do what President Franklin D. Roosevelt intended for the Bretton Woods credit and monetary system in 1945, and must do so for the benefit and progress of every nation in the world.

Those leaders and activists now—and soon—joining with the Schiller Institute’s accelerating mobilization to prevent NATO’s war from becoming world war, will be best prepared to launch the conferences to create such a new Bretton Woods.

The Bank of England informed the UK Parliament by [letter](#) Oct. 5 that the Truss government blunder had quickly “come within hours,” overnight Sept. 27–28, of major UK pension funds collapsing, which in turn were bailed out by the Bank, and that those City of London banks which had provided leverage loans to the funds were also potentially at risk and the financial system destabilized.

Describing the contagion it saw from a particularly dangerous form of financial “derivatives” breaking down, the Bank of England reported:

A large quantity of gilts [UK government bonds—ed.], held as collateral by banks that had lent to these LDI [Liability-Driven Investment—ed.] funds, was likely to be sold on the market,

driving a potentially self-reinforcing spiral and *threatening severe disruption of core funding markets and consequent widespread financial instability.* [emphasis added]

By the Oct. 7–9 weekend, reports were surfacing in a number of financial press outlets, such as that in *Asia Times*: “Global Margin Call Hits European Debt Markets,” with the blurb, “Hedges blow up after risk gauges in Germany’s government debt market exceeded those of the 2008 world crash.”

The most dangerous and widespread of all financial derivatives contracts created in the 25–30 years post-Glass-Steagall, the roughly \$500 *trillion* in nominal value of *interest-rate swaps*, ruined many a municipality across the trans-Atlantic world, leading into that 2008 world crash. The 2008 crash itself was triggered by a mere \$65 trillion of another kind of derivative, credit default swaps. Derivatives are threatening a bigger, and worse crash now because of the underlying physical collapse of production and productivity by the central banks’ policy since 2008, and now, the collapse of agriculture and industrial economy themselves, since the start of 2020.

The City of London, the Bank of England, and the European Central Bank are escalating pressure for the U.S. Federal Reserve to join the return to quantitative easing before it is too late. But the financial system blowout threat they are warning of, requires the opposite of such liquidity pumping and bond buying by central banks. It requires immediately the control of derivatives, now particularly interest-rate derivatives, through Glass-Steagall action to force the commercial banks to abandon these derivatives. The 21st Century Glass-Steagall Act in the U.S. Congress several years ago would have done this.

And it requires that new architecture of credit for industrial/agricultural development, led by technological progress. The Schiller Institute’s accelerating series of meetings at all levels—next on Oct. 15, an international youth conference—opens up that potential.