Characteristics of the Current Crisis

How the World Has Changed

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On Thursday, April 20th, I issued my warning that, unless a drastic policy-change intervened, the world as a whole was now on the course toward a systemic monetary-financial collapse of a type comparable to that which was experienced by Weimar Germany during the second half of 1923.

That 1923 collapse in Weimar Germany was echoed on a broader scale by what became the Great Depression of the early 1930s. While the circumstances of the 1923 collapse in Weimar Germany played a significant role in causing the later 1929-1933 general depression, the latter depression was only a severe collapse within the system; it was not a collapse of the general system itself. The difference would be, that, this time, we are now faced with a general collapse comparable to what was the special case of a collapse in 1923 Germany; but, this time, what menaces us is a general collapse of the system, that on a global scale. This collapse would not be limited to one nation, or a few parts of the planet, but world-wide.

I projected September as the estimable limit at which such a general collapse of the present world system would occur: that is, unless fundamental reforms were introduced during the immediate months ahead. *Unless the present world system is suddenly and radically reformed,* a general breakdown-crisis of the entire world system were virtually assured.

To understand how this present catastrophe came about, we must first summarize the contrasting earlier case, of those principal changes in direction in our republic's economic policy, the which have occurred since Franklin D. Roosevelt assumed the duties of our U.S. President in early March 1933. These principal changes can be clearly distinguished and defined, as I proceed now to do here.

Firstly, on the day he entered office, Franklin Roosevelt was confronted with a collapse of our national economy by about half, which had occurred during the period since the 1929 stock-market debacle through the day Roosevelt assumed office. This collapse had numerous contributing causes in world affairs, but it was also a collapse caused by the policies followed by both Presidents Coolidge and Hoover; but, it was Hoover's own response to the 1929 stock-market collapse, which produced the post-1929 collapse in the physical economy of the nation, over the period from that crash, up to President Roosevelt's inauguration.

Under Coolidge and Hoover, the U.S.A. had operated under a monetary-financial system which represented a new, profound deviation from the principles associated with our Federal Constitution. The New York financiers' center operated as both a rival and also a part of the monetary-financial system which came out of the post-World War I negotiations at Versailles. The philosophy of the U.S. government under these Presidents was far from as bad as we have experienced under President George W. Bush, Jr., but it was very bad, nonetheless.

Editorial

Into this situation of 1929-1933 stepped President Franklin Roosevelt, steeped in the tradition of the economic policies of both our first Treasury Secretary Alexander Hamilton, and Hamilton's political ally, Franklin Roosevelt ancestor Isaac Roosevelt. Roosevelt moved, immediately on assuming office, to move the republic's policy back into the U.S. constitutional tradition which Coolidge and Hoover had violated.

The most notable distinction of those changes in direction under President Franklin Roosevelt, is that the American System of political-economy, which is embedded in our Federal Constitution, defines the U.S. as an economic system entirely unlike those still prevalent in Europe today. Our constitutional system is a credit system of the type which implies that our leading banks would be operating under the kind of a national-banking system defined by the unique constitutional authority of the U.S. Executive branch. It would utter legal tender with the consent of the U.S. Congress. European monetary-financial systems, such as that of John Maynard Keynes' dogma, by contrast, are quasi-feudal systems, in which concerts of private financier interests, such as so-called "independent central banks," operate as the controllers of what are merely nominally sovereign governments.

Contrary to childish myths still popular in Europe and among ignorant people in our own nation, money has no intrinsic value. In our system, protective tariffs and comparable regulation are employed to regulate the effects of the circulation of lawful money in such a way as to prompt a system of

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"fair trade," as opposed to the quasi-oligarchical European systems of so-called "free trade."

The second leading consideration which shaped the Franklin Roosevelt Administration from its beginning, is that Adolf Hitler had just been awarded dictatorial powers in Germany just a few days prior to Franklin Roosevelt's inauguration. Franklin Roosevelt, guided by appropriate knowledge of our nation's constitutional heritage, not only revived our national economy, but enabled us to ensure the defeat of an Adolf Hitler who would not have been defeated without the kind of economic policy which the Franklin Roosevelt Administration represented. That defeat of the Nazi aim for world empire was accomplished only because President Franklin Roosevelt's policy was shaped, from the outset, by awareness of this looming threat from Europe.

However, a major change in direction of U.S. policy-shaping was already being introduced virtually moments after his death. Roosevelt's successor, the Truman Administration, adopted Winston Churchill's policy, by launching a conflict with what proved to be a capable Soviet adversary; at the same time, Truman eliminated or truncated, many of the elements, but scarcely all, of the Franklin Roosevelt economic policy. So, later, during the 1945-1965 interval, President Dwight Eisenhower warned, at the point of his leaving office, against the threat from within the U.S.A. represented by the build-up of what he called a military-industrial complex, the authors of what the Bush-Cheney-Rumsfeld Administration represents today, were the principal internal threat to our constitutional order then, as they are today.

This threat was expressed in such included forms as the so-called Congress for Cultural Freedom (CCF) and its sundry domestic- and foreign-based auxiliaries, whose intent was to clear the way for a later dictatorial order. The CCF and its auxiliaries should remind historians of the way in which the spread of sophistry in ancient Athens led Pericles' Athens into that self-destruction of ancient Greek civilization which is known as the Peloponnesian War. Indicatively, the followers of Carl Schmitt and Professor Leo Strauss, who were leading exponents of the legacy of the Peloponnesian War's Thrasymachus, are an essential part of the core of today's representation of what President Eisenhower termed "a military-industrial complex." Pro-Synarchist Felix Rohatyn's current policies are an expression of that design for replacing a regular military defense as an institution of government, by a financier-controlled set of private armies, a privatization of the military function, as by the Crusader forces deployed by Venetian bankers, under the system dominating medieval Europe.

The cultural and related educational reforms promoted by the circles of such as Bertrand Russell and the CCF, have been the leading edge of corruption which erupted to the surface as what has been termed "the rock-drug-sex counterculture" of the "68ers." The emergence of the white-collar "Baby Boomer" generation to young adulthood, as typified by the "68er" phenomenon, supplied essential impetus for what is recognized as a "post-industrial counterculture."

That emergence of the "68ers" defines the third crucial cultural-paradigm shift in the economies of, most notably, the U.S.A. and western and central Europe.

Culturally, the pronounced "anti-blue collar" outlook of the university-referenced "68ers" created a split within the remains of the alliance of the labor movement and associated social-political strata with what remained of the Franklin Roosevelt legacy. This was key to the qualitative changes in direction of economy, downward, which are characteristic of the successive, 1969-1981, Nixon, Ford, and Carter administrations: the wrecking of the U.S. dollar and International Monetary System, under Nixon, and the wrecking of the protectionist features of the U.S. domestic economy, under Zbigniew Brzezinski's Trilateral Commission.

The Fourth Phase

The fourth phase, is represented by the presently doomed system set into motion under Federal Reserve Chairman Alan Greenspan.

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When we take into account the crucial differences in outlook between the two Bush Presidencies, on the one side, and the two terms of President Clinton's Administration, we find that the common feature which defines 1987-2006 as a continuing downward trend, has been the tendency of the Democrats to regard anything seen as a current trend, as something to treat as an irreversible direction of developments. It was not any among the Presidencies which defined the trends, but, rather, it was as under the Athens of Pericles and his successors: it was the trends which, predominantly, controlled those Presidencies. The reins of actual control of those trends as such, lay in the hands of the trans-Atlantic financier oligarchy.

Ask yourself: how could a majority of voters have been so damned dumb as to vote twice for a Presidential candidate so obviously unsuitable on every conceivable account as George W. Bush, Jr.? It was the trend which moved those voters, not the voters who set the trend. A large ration of the voters thus created a spectacle at the polls which was comparable to the performance of a trained-flea circus. If the latter lustful worship of the presumed inevitable is not abandoned, the U.S.A. and much else is certainly doomed to an early sampling of Hell on Earth.

This Fourth Phase came into being during 1987, in the 1929-style, October collapse of the New York stock bubble. That stock-market crash occurred on the watch of Federal Reserve Chairman Paul Volcker. Volcker's nominated successor, Alan Greenspan, took charge. It was Greenspan who crafted the Fourth and fatal phase, leading into the presently threatened, imminent general collapse of the world's present monetary-financial system.

The Greenspan "bubble," otherwise known as the "financial derivatives" scam, which has been cast in the tradition of the John Law bubbles of early Eighteenth-Century Europe, has become a highly complicated structure; but, the essence of the problem it represents can be fairly summarized as follows.

The included effect of the process leading into the 1929-style, October 1987 stock-market crash, was the depleting of the cash available to the private banking system. Greenspan's engineering used the Federal Reserve pumping of a mortgage-based securities bubble in Fannie Mae and Freddie Mac operations, as a way of pumping cash back into the banks. This, and the associated boom in inflationary real-estate speculation, has represented the principal axis of an accelerating inflation in the U.S. and Europe, among other locations. This, combined with the role of Japan's virtually zero overnight lending rate, has emerged as the base for the build-up of a highly inflationary, implicitly cancerous mechanism known as "the carry trade." This operated within a global environment shaped by Greenspan's role as architect of a system of gamblers' side-bets, known as financial derivatives, including so-called credit derivatives.

The pumping of cash into the system through gigantic, cancerous real-estate bubbles, such as that around Washington, D.C., aided by the misuse of what is called "M3" by the Federal Reserve system, has been the engine of what has now emerged as global hyperinflation. It is the connection between the role of the Greenspan bubble in mortgage-based securities and the related hyperinflationary spiral in speculative holdings in primary commodities of the world at large, which is the principal benchmark of reference for understanding the rudiments of that presently onrushing, Weimar-style hyperinflationary rush of 2006 which is the pivot of the threatened general collapse of the world system as a whole. This simplifies the way of presenting the process as a whole, but it does not put aside anything essential.

The key for understanding this crisis is the rate of increase of the rate of increase of inflation in the price of petroleum and other primary commodities such as metals.

Any sharpies who run a world-wide or similar John Law-style financial bubble, know that the bubble they are creating must pop and collapse. The intention of the knowing sharpies is to come out with a profit, while the suckers they lure into such investments are looted dry. The present global bubble has precisely that character. By cornering the world market in petroleum and essential metals, at whatever price they are held, the monopolistic interests controlling these stocks believe that when the world collapses, they, these monopolists, will foreclose upon, and thus own the world as their private holding.

That is the meaning of the soaring prices of petroleum and metals today.

In other words, the present world system is designed to collapse, all to the profit and global political power of the financier cabals which intend to end up virtually owning the physical assets of a bankrupted world.

I am hated by these financier circles, hated and also feared by them since my October 1971 New York public debate with a leading Keynesian Professor of economics, Abba Lerner, who was closely associated with Professor Sidney Hook, et al., as a leader in what is known as the Congress for Cultural Freedom. Most of the troubles afflicting me and my associates during the entire sweep of 1971-2006 to date have been an expression of the hatred and fear of my capabilities among the financier circles behind the Abba Lerners, Sidney Hooks, John Trains, et al. They know that I understand the game as few others outside the leading financier circles do. In their view, ever since my 1971 debate with Lerner, my knowledge, and my willingness to state the relevant facts openly, represents a threat to "their system."

Over years, therefore, I have come to understand those financier circles much better than all but a very few of them understand themselves.

The Remedy

The most significant political facts about me are that I am, first, "an American," and, second, that I know what "American" ought to be understood to mean for any well-informed adult American.

On the surface, this points to the difference between the American System as defined by the U.S. Federal Constitution's definition of our currency, and those of Europe. Whereas European state systems' economies are based on control of governments by concerted private financier influence, expressed as so-called "independent banking systems," the U.S. Constitution system requires the control over the operations of private banking and related financial systems by the Federal government. In other words, whereas European governments often pretend to be sovereign, and sometimes appear to be so, they are actually virtual vassals of privately owned central banking systems, especially under most conditions of imminent or actual economic crisis.

Wherever nations submit to supervision by so-called independent central-banking systems, the functional meaning of the money of those nations is lodged in a form of superstitious belief which assumes that money has some intrinsic value of its own. The fact that the value of money fluctuates does not deprive the believer of the delusion that economic value is a property of money.

In contrast, under the provisions of the U.S. Federal Constitution, money is created by the Federal government through the authority granted for this purpose by an Act of Congress, specifically the U.S. House of Representatives. Therefore, as President Franklin Roosevelt demonstrated anew, the authorization to issue money assumes the character of state-created financial capital, which may be loaned as capital for sundry forms of development of public and private enterprises. Under such a system, the value of an object is not a reflection of the superstitions of "supply and demand," but of the intrinsic usefulness of what is produced. Money issued is thus tamed in its behavior by rules and regulations whose intention is to herd prices within boundaries which amount to imposing a rule of "fair trade," rather than the European oligarchs' "free trade." The regulation of prices and tariffs must ensure the protection of essential investments in public and private capital, and in the value of labor as the latter value is expressed by the physical standard of living of households needed to promote a healthy and productive population among important classes of professionals and others,

The U.S. economy is based on a credit-system, rather than a monetary system. The origin of this design was, chiefly, the influence of Gottfried Leibniz's writings bearing on the subject of a science of physical economy, as this is reflected most notably in such locations as Treasury Secretary Alexander Hamilton's published reports to the U.S. Congress. These were the conceptions which informed Hamilton's ally, and President Franklin Roosevelt's relevant ancestor, Isaac Roosevelt. This is the gist of the thinking which guided President Franklin Roosevelt's grand recovery of the U.S. economy which the policies of Coolidge and Hoover had wrecked.

Therefore, the sudden collapse of the imputed value of money, as that confronts us now, is not a fatal calamity for us, although admittedly a great inconvenience: provided we have the right President and proper composition of the U.S. Congress. We can reorganize the currency, and can manage the transition from a failed currency to a sound one, with no worse than some historically temporary inconveniences. A financial crisis, even a great crisis like that onrushing now, never requires dictatorial measures of political control. There is no warrant for a tyrannical campaign of what President George W. Bush, Jr. calls "killing the tourists." What is required is an orderly financial reorganization of a bankrupt system which must be brought quickly back to a stable and orderly form of renewed life.

That, some of us know how to do, as I do. I, for one, am prepared to do it. I am confident, that within and proximate to our institutions of government, we have the core of knowledge and skill to do the job. As Franklin Roosevelt said of such kinds of crisis: "We have nothing as much to fear as fear itself."

That said, let us now resolve that we shall rally to fix what needs to be fixed. That done, we shall come out of this crisis far better than we entered it.