As Cyprus Theft Shows, Glass-Steagall, or Chaos!

March 19—With the expropriation of the Cypriots to save the banks, the five-year Eurozone bank collapse, which European officials said had "ended" in late 2012, has exploded again.

The entire trans-Atlantic financial system, including the United States, is disintegrating, exactly as Lyndon LaRouche has warned for years. As even the Quarterly Bulletin of the Bank of England warned in its latest edition, nothing has been solved since the 2008 financial blowout, as there are huge amounts of bad loans on the books of the banks which financed leveraged buyouts at that time, which could trigger the next crash. In their panic to save the system, the London-centered banks are now resorting to outright *theft* from citizens to support the bankrupt bondholders—and setting the world on a course for chaos.

The LaRouche Political Action Committee is currently on a full-scale mobilization around the one solution to stop the chain reaction of bank runs, hyperinflation, and social chaos now facing the trans-Atlantic region: LaRouche's three-point program: 1) Reinstate Franklin Roosevelt's Glass-Steagall Act now; 2) Establish a Hamiltonian credit system to finance productive economic activity; and 3) Launch great infrastructure projects such as NAWAPA, and re-employ millions of Americans in high-tech, energy-intensive jobs. Once the U.S. has moved decisively toward implementing this program, Europe will quickly follow.

The House bill to reinstate Glass-Steagall, HR 129, now has 40 co-sponsors, but no companion bill has yet been introduced into the Senate; and Congress has been tied up in absurd budget debates which evade the crucial issue: the system is bankrupt and must be replaced! And the first step is to end the bailouts with Glass-Steagall—or face chaos and mass death.

Bailout by Theft

European Union officials agreed on March 16 to a EU10 billion bailout of Cyprus—in reality, the banking sector of that island center for hot money in Europe. Cyprus thus becomes the fifth European nation to fall under the draconian bailout conditions, but this time the EU financial officials added a twist: They demanded that all depositors in Cypriot banks be levied between 6.7% and 9.9% of their savings, as a "contribution" to the bailout fund.

Thus, for the first time ever, depositors will be sacrificed in order to save the banks. Depositors' money will simply be grabbed to bail out the bondholders.

While newly elected Cyprus President Nicos Anastasiades, under enormous pressure, agreed to the deal, he has run into a storm of political protest, and had told EU officials that the parliament will not ratify the deal. Demonstrations have broken out across Cyprus, and the banks have been closed, to prevent depositors from pulling out their deposits, en masse. The parliamentary vote today resulted in a total rejection of the pact. It remains questionable when the banks will reopen.

Bank Runs on the Agenda

Bank stocks fell across Europe March 18, as word spread of the Cyprus deal. Moody's ratings agency was first to raise the specter of bank credit downgrades throughout the Eurozone, leading to bank runs or "jogs," as they have been termed. Moody's warned in a "note" that the Cyprus bailout/deposit seizure is "credit negative for bank depositors across Europe: …the decision to impose losses on depositors signals euro area policymakers' willingness to risk triggering wider financial market disruptions in pursuit of other policy goals."

A Bloomberg News analysis piece warned that bank credit ratings will be downgraded across much of Europe—the "bank crisis will be restarted." It is only a matter of time before runs start. In diametrical opposition to deposit insurance, depositors' money has been subordinated to bank creditors' bailouts and liquidity injections to insolvent banks; the Cyprus depositors are being treated like "junior unsecured creditors" of the banks and given derisory "stock" in the bankrupt banks. The damage is already done, no matter whether the Cyprus confiscation is "revised" during this week.

The retriggering of the bank collapse follows months in which European Central Bank president Mario Draghi's promise of unlimited money-printing was declared to have "turned the corner" on the Eurozone financial (not the economic!) crisis, by such authorities as U.S. Fed chairman Ben Bernanke and—just this weekend in his syndicated column—former Treasury Secretary Lawrence Summers.

Now it is back to former British Prime Minister Gordon Brown's infamous *New York Times* op-ed of May 31, 2011: "All of Europe faces uncontrolled bank runs," unless "a drastic solution is adopted"—a multi-trillion, globally organized, bank bailout.

Financial pundits were quick to react with alarm. Wolfgang Münchau wrote in today's *Financial Times*: "The long-term political damage of this agreement is going to be huge. In the short term, the danger consists of a generalized bank run, not just in Cyprus but across the continent. It would be rational for depositors in countries with shaky finances, such as Italy, Spain or Portugal, to withdraw their savings because the Cyprus rescue has shown that the creditor nations will insist from now that any bank rescue must be co-funded by depositors."

A headline in CNN Market Watch March 18 caught the overall mood: "No bank runs in Spain, so far."

Mass Murder

Chaos in the bankrupt banking system of Europe comes on top of what has already been a mass-murderous regime of austerity, combined with hyperinflationary money printing.

The nation of Greece is the most dramatic example of the direction and *intent* of the financial oligarchy's schemes to try to save their system: a policy of genocidal depopulation. There the living standard of the population has been slashed by 25% over the last three years to bail out the bankrupt banks. Suicides have skyrocketed, death rates have increased, and medicine has become increasingly unavailable. In Spain, unemployment has more than doubled, and is now over 26%, with youth unemployment at 55-60%, just as in Greece, in order to pay the bankrupt banks.

In the United States, Obama is hell-bent on slashing Medicare, Medicaid, Social Security, and crucial investments such as the NASA budget to maintain the bailouts for the bankrupt banks. Now, in Cyprus, the financial parasites have turned to stealing the money directly. And if the people scream, let them die! That is the intention of the Troika, London, and Wall Street, and it comes directly from the Queen, and her lackeys Tony Blair and Barack "I am not a dictator" Obama.

The Russian Angle

Among those reacting especially angrily to the Cyprus seizure is the Russian government, which was caught by surprise. Almost half of Cyprus's bank depositors are believed to be non-resident Russians; and Russian offshore companies and their employees are bound to take a big hit.

Russian corporations (including banks) and individuals are estimated to hold about EU20-25 billion in deposits on Cyprus, and they will lose billions directly—in addition to the loss of investment funds that generally flow into Russia itself. The Russians have been the only government, so far, to aid the Cypriot government, and they weren't even consulted. President Putin told a meeting of officials March 18 that the scheme was "unfair, unprofessional, and dangerous."

Lying Thieves

Thievery, of course, is what has characterized the entire trans-Atlantic banking system, increasingly since the killing of FDR's Glass-Steagall banking separation in 1999. The Obama Administration has absolutely refused to prosecute the criminals—as a matter of policy, because, as Attorney General Eric Holder has admitted, prosecutions would threaten the whole rotten system.

Thanks to the efforts of the Senate Permanent Subcommittee on Investigations, however, some of that criminality is coming to light. The Committee has produced a 307-page report on the $6 billion derivatives trade losses of JPMorgan Chase (reported in 2012), and on March 15, held a four-hour hearing that provided a treasure trove of evidence that JPM lied, violated Federal regulations regarding its derivatives trade, doctored its internal rules so as to change its balance sheets, lied to investors, lied to the public, and withheld federally mandated information from agencies such as the Office of the Comptroller of the Currency.

Yet, as the five witnesses from JPM stonewalled the questions from the only three Senators who were present at the hearing—Carl Levin (D-Mich.), John McCain (R-Ariz.), who is now the Ranking Member of the Committee, and Ron Johnson (R-Wisc.)—there was never a mention of Glass-Steagall.

"More controls are needed," Levin exclaimed, "if derivatives books can be cooked as blatantly as they were in this case, then the rules need to be revamped." In his opening statement, Levin lambasted JPMorgan for having the lowest percentage of loans going into the U.S. economy of all the big banks, although it is the biggest bank holding company in America, and the biggest derivatives trader.

Levin, McCain, and Johnson lectured the JPMorgan Chase officials for using taxpayer money from FDIC-insured deposits to cover some of its $6 billion in derivatives losses. (Most observers believe the losses are much larger.) Most explicit in attacking the gambling with publicly insured money by JPM was Johnson, who briefly badgered the bank witnesses with the question, "Don't you consider yourself 'too big to fail?'" and demanded that they say whether Dodd-Frank was effective in ending "too big to fail."

This particular JPM theft, of course, is a tiny portion of what the Wall Street, London, and other major world banks have ripped off over the past decades, through usury, Libor-rigging, derivatives, and bailouts—all the while, stripping the physical economy in the interest of "making money."

That "money," as the Cyprus case exemplifies, means absolutely nothing if these financial predators are in control. The only solution is a reassertion of control of economies by sovereign nation-states, using their powers to wipe out the gambling debts with Glass-Steagall, and starting up the real economy once again.

North Dakota Banker Calls for Glass-Steagall

Here is the text of a letter in support of H.R. 129, sent to Rep. Kevin Cramer (R-N.D.), from Gordon H. Hoffner, vice president of the Union Bank of Beulah, N.D.

Feburary 20, 2013

The Honorable Kevin Cramer Congressman State of North Dakota Washington, D.C.

Dear Rep. Cramer:

I am the Past President of the Independent Community Banks of North Dakota. I am writing to you to ask you to support and co-sponsor H.R. 129, the "Return to Prudent Banking Act." It is urgent that Congress act to intervene into the banking crisis now spiraling out of control. We have seen the JPMorgan Chase mega-losses and the Eurozone crisis, but the only response is to continue bailouts. Instead we must introduce sweeping re-regulation to prevent the possibility of such crises.

H.R. 129 would re-instate the main provisions of FDR's Glass-Steagall, separating commercial and investment banking. This way, the risk can be contained in investment banks, which cannot cry out that investor deposits will be lost if they are allowed to go under.

Without the provisions of Glass-Steagall, there is nothing in our current regulatory framework that will bring this crisis under control. This is not a party-politics matter; it is a national security question. The H.R. 129 bill has 16 co-sponsors as of today. Marcy Kaptur (D-OH) initiated it, and Rep. Walter Jones (R-NC) is among the Republicans leading the fight. H.R. 129 is essential—nothing else will work.

I urge you to co-sponsor H.R. 129, and work to get it made law.

Sincerely,
[signature]
Gordon H. Hoffner, V. Pres.
Union Bank
Beulah, N.D. 58523