Bank Depositor "Haircuts": Grand "Financial Theft" is the Money Market's "New Normal"

By Stephen Lendman
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On March 29, Cyprus Mail said banks opened Thursday. They did so amid calm.

Long lines queued. People waited patiently. A feared stampede didn't materialize. Whether it's the calm before the storm remains to be seen.

Looting Cypriot bank accounts reflects the new normal. It set a precedent. It did so for Europe. More on that below.

Wall Street banks operate the same way. So did MF Global.

Grand theft reflects official policy. Money is made the old-fashioned way. It's stolen. Nothing's done to stop it. Corrupt politicians and regulators permit it. They do so for benefits they derive.

Scamming investors is commonplace. Goldman Sachs derisively calls them "muppets."

MF Global's CEO Jon Corzine formerly headed Goldman Sachs. He looted customer accounts. He did so brazenly.

He used client money to speculate. More went for internal purposes. Much went to cover debt obligations and losses. Top firm executives made millions. They did so at customers' expense.

Financial reform accomplished nothing. Grand theft is institutionalized. Europe's no different from America. Anything goes is policy.

Banks deposits were considered safe. No longer. Eurocrats changed things. Euro Group head Jeroen Dijsselbloem explained.

Expect more wealth extracted from depositors. Cyprus established a template. Bank accounts in other troubled economies aren't safe.

"If there is a risk in a bank, our first question should be 'Okay, what are you in the bank going to do about that," he asked? "What can you do to recapitalize yourself?' "

"If the bank can't do it, then we'll talk to the shareholders and the bondholders. We'll ask them to contribute in recapitalizing the bank, and if necessary the uninsured deposit holders."

"The consequences may be that it's the end of story, and that is an approach that I think, now that we are out of the heat of the crisis, we should take."

In late February, ECB Executive Board member Benoit Coeure suggested raiding depositor accounts for bail-ins, saying:

“There needs to be an appropriate burden-sharing….because we need to achieve debt sustainability.”

At the time, he suggested not doing it across the board. Whether he meant it isn’t clear.

He added that he doesn’t “pre-judge any instruments because the vocabulary matters, and there are many ways to achieve burden-sharing.”

It bears repeating. Grand theft is official policy. Even bank accounts aren’t safe.

Market analyst Marc Faber believes “governments one day (will) take away 20 – 30% of (his) wealth.” There’s no place to hide.

German Finance Minister Wolfgang Schaeuble proposed a 40% haircut on all deposits. So does IMF head Christine Lagarde.

Cypriot Finance Minister Michalis Sarris said large uninsured Laiki Bank depositors could lose up to 80% of their money. Other European depositors race similar risks. So do people elsewhere.

Some may lose everything. It’s the new normal. Personal savings are up for grabs. Bank bailouts will be borne on the backs of ordinary people.

Think it can’t happen here? Think again. There’s no place to hide. Ellen Brown explained. Banks legally own depositor funds, she said.

“Our money becomes the bank’s, and we become unsecured creditors holding IOUs or promises to pay.”

Banks once repaid depositors on demand. A joint December 10, 2012 FDIC-Bank of England (BOE) paper changed things. Plans to loot customer accounts were made earlier.

The Bank for International Settlements originated them. It’s the privately owned central bank for central bankers. Major ones have final say.

Looting depositor accounts is policy. Cyprus isn’t a one-off. Guaranteed insured deposits don’t matter. They’re up for grabs like all others. It’ll be done clever ways or outright.

Brown said the FCIC-BOE plan involves converting deposits (IOU promises to pay) into bank equity. They get our money. We get bank stock.

Ready cash on demand is gone. Whether it’s ever returned, who knows. Take the money and run looks more than ever like policy. Depositors anywhere may be hung out to dry.

Even gold and silver in safety deposit boxes aren’t safe. Not in America. Homeland Security told banks in writing. It may inspect their contents on demand.

Under Patriot Act provisions, it may seize them with no warrant. It can do so anywhere. Banco de Mattress isn’t safe.

Investor Jim Rogers said “run for the hills now. I’m doing it.” Cyprus is no one-off.

“I want to make sure that I don’t get trapped,” he said. “Think of all the poor souls that just thought they had a simple bank account.”

“Now they find out that they are making a ‘contribution’ to the stability of Cyprus. The gall of these politicians.”

“If you’re going to listen to government, you’re going to go bankrupt very quickly.”

“I, for one, am making sure I don’t have too much money in any one specific bank account anywhere in the world, because now there is a precedent,”

“The IMF has said ‘sure, loot the bank accounts. The EU has said ‘loot the bank accounts, so you can be sure that other countries when problems come, are going to say, ‘Well, it’s condoned by the EU. It’s condoned by the IMF. So let’s do it too.’ ”

The Daily Bell asked “What Is The REAL Euro End Game? It is time to apply the free-market to bank depositors.”

Strategy involves shifting responsibility from taxpayers to depositors. Things ahead won’t be the same. Eurocrats’ policy is wrongheaded. They’re deepening crisis conditions, not alleviating them.

They believe achieving “full-on political union” depends on it. Their well-documented comments reflect it.

“….Cyprus shock and subsequent statements are not only deliberate, but have contributed to spreading uncertainty throughout Europe.”

“Now people no longer trust their banks, contributing to their destabilization.”

“If you have a bank crisis, the last thing you want to do is further destabilize trust and confidence in the system. But Brussels Eurocrats have done just that.”

“Don’t think it was a mistake. If one accepts that line of thinking, the ramifications are serious and deep from a sociopolitical, political and investment standpoint.”

The Economic Collapse blog said global elites plan to loot bank accounts. Don’t be surprised when they steal yours.

“They are already very clearly telling you that they are going to do it.” Your money is theirs. It’s up for grabs on demand.

People put money in banks for safety. Removing it “jeopardize(s) the entire system.” Cyprus is a tip of a giant iceberg. Major global banks are highly leveraged. Many are insolvent.

When their bets pay off, they win. When they don’t, we pay. Wealth confiscation is now policy. Commerzbank chief economist Joerg Kraemer urges a “tax rate of 15 percent on (Italian) financial assets.”

It’s “probably enough to push (government) debt below the critical level of 100 percent of gross domestic product,” he said.

New Zealand Finance Minister Bill English proposed across the board depositor "haircut(s)" in case of major bank failures.

Britain's Daily Mail headlined "One of the nastiest and most immoral political acts in modern times," saying:

"People who rob old ladies in the street, or hold up security vans, are branded as thieves."

"Yet when Germany presides over a heist of billions of pounds from private savers' Cyprus bank accounts, to 'save the euro' for the hundredth time, this is claimed as high statesmanship."

"It is nothing of the sort….It has struck fear into the hearts of hundreds of millions of European citizens, because it establishes a dire precedent.

If Eurocrats can loot Cyprus, why not anywhere.

"This is the most brutal display since 2008 of how far the euro-committed nations are willing to go to save the tottering single currency."

"It shows that the zone's crisis will run and run to the grievous disadvantage" of most everyone.

"Surely the euro cannot long survive by such anti-democratic means. It certainly does not deserve to."

Graham Summers says "Europe is out of options and out of money." It's "totally and completely bust."

It's banks are highly leveraged. They can't raise capital "because no one in their right mind wants to invest in them…."

"European nations are bankrupt because AGAIN no one in their right mind wants to buy their bonds UNLESS they believe they can dump their investments on the ECB at a later date. Who is the greater fool there?"

Europe isn't fixed because enough capital isn't there to do it. "Europe and its alleged backstops are out of money. This includes Germany, the ECB, and the mega-bailout funds such as the ESM (European Stability Mechanism)."

The ECB is "chock full of garbage debts." It's insolvent. It can print money, "but once the BIG collateral call hits, (it's) useless because (what's needed) would implode the system."

"What could go wrong?" Virtually anything. "It's only a matter of time before (crisis conditions reach) hyperdrive, and we have an event even worse than 2008."

Zero Hedge says Russia's "next in line to restrict cash transactions. (They're) taking a page from the Europeans' book."

Russia Beyond the Headlines said "Russia to ban cash transactions over $10,000." It plans to "slash the amount of cash in domestic trade."

It may do so by 2015. It's "expected to boost" bank reserves "and put a damper on (its) shadow economy. However, the middle class will most likely end up having to pay the price for the scheme."

According to Zero Hedge, leaders realize that "limits of fiscal and monetary policy have been reached."

They're "now changing rules, limiting freedom, and (instituting) outright confiscation (as) the only way to maintain a status quo."

Doing so reflects predatory capitalism's failure. It's a house of cards. It's heading perhaps for eventual collapse. At risk is whether it takes humanity with it when it does.

Stephen Lendman lives in Chicago. He can be reached at lendmanstephen@sbcglobal.net.

His new book is titled "Banker Occupation: Waging Financial War on Humanity."

http://www.claritypress.com/LendmanII.html

Visit his blog site at sjlendman.blogspot.com.

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Articles by: Stephen Lendman

About the author:

Stephen Lendman lives in Chicago. He can be reached at lendmanstephen@sbcglobal.net. His new book as editor and contributor is titled "Flashpoint in Ukraine: US Drive for Hegemony Risks WW III." http://www.claritypress.com/LendmanIII.html Visit his blog site at sjlendman.blogspot.com. Listen to cutting-edge discussions with distinguished guests on the Progressive Radio News Hour on the Progressive Radio

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