Big Brother in Basel: Are We Trading Financial Stability for National Sovereignty?

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Buried on page 83 of the 89-page Report on Financial Regulatory Reform issued by the U.S. Administration on June 17 is a recommendation that the new Financial Stability Board strengthen and institutionalize its mandate to promote global financial stability. Financial stability is a worthy goal, but the devil is in the details. The new global Big Brother is based in the Bank for International Settlements, a controversial institution that raises red flags among the wary . . . .

"Big Brother" is the term used by George Orwell in his classic novel 1984 for the totalitarian state that would lock into place in the year of his title. Why he chose that particular year is unclear, but one theory is that he was echoing Jack London's The Iron Heel, which chronicled the rise of an oligarchic tyranny in the United States. In London's book, the oligarchy's fictional wonder-city, fueled by oppressed workers, was to be completed by 1984. Orwell also echoed London's imagery when he described the future under Big Brother as "a boot stamping on a human face – forever." In Secret Records Revealed: The Men, the Money, and the Methods Behind the New World Order (1999), Dr. Dennis Cuddy asked:

"Could the 'boot' be the new eighteen-story Bank for International Settlements (BIS) which was completed in Basel, Switzerland, in 1977 in the shape of a boot, and became known as the'Tower of Basel'?"

The boot-like shape of the building is strange enough to be thought-provoking (see photo), but more disturbing is the description by Dr. Carroll Quigley of the pivotal role assigned to the BIS in consolidating financial power into a few private hands. Professor Quigley, who was Bill Clinton's mentor at Georgetown University, claimed to be an insider and evidently knew his subject. He wrote in Tragedy and Hope (1966):

"[T]he powers of financial capitalism had another far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent private meetings and conferences. The apex of the system was to be the Bank for International Settlements in Basel, Switzerland, a private bank owned and controlled by the world's central banks which were themselves private corporations."

That helps explain the alarm bells that went off among BIS-watchers when the Bank was linked to the new Financial Stability Board (FSB) President Obama signed onto in April. When the G20 leaders met in London on April 2, 2009, they agreed to expand the powers of the old Financial Stability Forum (FSF) into this new Board. The FSF was set up in 1999 to serve in a merely advisory capacity by the G7 (a group of finance ministers formed from the seven major industrialized nations). The chair of the FSF was the General Manager of the BIS. The new FSB has been expanded to include all G20 members (19 nations plus the EU). The G20, formally called the "Group of Twenty Finance Ministers and Central Bank Governors," was, like the G7, originally set up as a forum merely for cooperation and consultation on matters pertaining to the international financial system. But its new Financial Stability Board has real teeth, imposing "obligations" and "commitments" on its members.

The Shadowy Financial Stability Board

The Report on Financial Regulatory Reform issued by the Obama Administration on June 17 includes a recommendation that the FSB "strengthen" and "institutionalize" its mandate. What is the FSB's mandate, what are its expanded powers, and who is in charge? An article in The London Guardian addresses those issues in question and answer format:

"Who runs the regulator? The Financial Stability Forum is chaired by Mario Draghi, governor of the Bank of Italy. The secretariat is based at the Bank for International Settlements' headquarters in Basel, Switzerland."

Draghi was director general of the Italian treasury from 1991 to 2001, where he was responsible for widespread privatization (sell-off of government holdings to private investors). From January 2002 to January 2006, however, he was a partner at Goldman Sachs on Wall Street, another controversial player. As already noted, "basing" the FSB at the BIS is not a comforting sign, considering the dark and controversial history of the BIS. Dr. Cuddy, writing in 1999, quoted media sources describing the BIS and its behind-the-scenes leaders as "this economic cabal . . . this secretive group . . . the financial barons who control the world's supply of money" (Washington Post, June 28, 1998); "some of the world's most powerful and least visible men . . . officials able to shift billions of dollars and alter the course of economies at the stroke of a pen" (New York Times, August 5, 1995); men who can "move huge amounts of money into and out of markets in a nanosecond" and "topple politicians with the click of a mouse" (ABC's "Nightline," July 1, 1998).

"What will the new regulator do? The regulator will monitor potential risks to the economy . . . It will cooperate with the IMF, the Washington-based body that monitors countries' financial health, lending funds if needed. . . ."

The IMF is an international banking organization that is also controversial. Joseph Stiglitz, former chief economist for the World Bank, charges it with ensnaring Third World countries in a debt trap from which they cannot escape. Debtors unable to pay are bound by "conditionalities" that include a forced sell-off of national assets to private investors in order to service their loans.

"What will the regulator oversee? All 'systemically important' financial institutions, instruments and markets."

The term "systemically important" is not defined. Will it include such systemically important institutions as national treasuries, and such systemically important markets as gold, oil and food?

"How will it work? The body will establish a supervisory college to monitor each of the

largest international financial services firms. . . . It will act as a clearing house for information-sharing and contingency planning for the benefit of its members."

In some contexts, information-sharing is called illegal collusion. Would the information-sharing here include such things as secret agreements among central banks to buy or sell particular currencies, with the concomitant power to support or collapse targeted local economies? Consider the short-selling of the Mexican peso by collusive action in 1995, the short-selling of Southeast Asian currencies in 1998, and the collusion among central banks to support the U.S. dollar in July of last year – good for the dollar and the big players with inside information perhaps, but not so good for the small investors who reasonably bet on "market forces," bought gold or foreign currencies, and lost their shirts.

"What will the new regulator do about debt and loans? To prevent another debt bubble, the new body will recommend financial companies maintain provisions against credit losses and may impose constraints on borrowing."

What sort of constraints? The Basel Accords imposed by the BIS have not generally worked out well. The first Basel Accord, issued in 1998, was blamed for inducing a depression in Japan from which that country has yet to recover; and the Second Basel Accord and its associated mark-to-market rule have been blamed for bringing on the current credit crisis, from which the U.S. and the world have yet to recover. These charges have been explored at length elsewhere. The suspicious might see these failures as intentional. The warnings come to mind of Congressman Louis MacFadden, head of the House Banking and Currency Committee during the Great Depression: "It was a carefully contrived occurrence. International bankers sought to bring about a condition of despair, so that they might emerge the rulers of us all." David Rockefeller, a key player in international finance, echoed this thinking in 1994, when he said at a UN dinner, "We are on the verge of a global transformation. All we need is the right major crisis and the nations will accept the New World Order."

The Amorphous 12 International Standards and Codes

Most troubling, perhaps, is this vague parenthetical reference in a press release issued by the BIS, titled "Financial Stability Forum Re-established as the Financial Stability Board":

"As obligations of membership, member countries and territories commit to . . . implement international financial standards (including the 12 key International Standards and Codes) . . . ."

This is not just friendly advice from an advisory board. It is a commitment to comply, so you would expect some detailed discussion concerning what those standards entail. However, a search of the major media reveals virtually nothing. The 12 key International Standards and Codes are left undefined and undiscussed. The FSB website lists them, but it is vague. The Standards and Codes cover broad areas that are apparently subject to modification as the overseeing committees see fit. They include:

Money and financial policy transparency

Fiscal policy transparency

Data dissemination

Insolvency

Corporate governance

Accounting

Auditing

Payment and settlement

Market integrity

Banking supervision

Securities regulation

Insurance supervision

Take "fiscal policy transparency" as an example. The "Code of Good Practices on Fiscal Transparency" was adopted by the IMF Interim Committee in 1998. The "synoptic description" says:

"The code contains transparency requirements to provide assurances to the public and to capital markets that a sufficiently complete picture of the structure and finances of government is available so as to allow the soundness of fiscal policy to be reliably assessed."

We learn that members are required to provide a "picture of the structure and finances of government" that is complete enough for an assessment of its "soundness" — but an assessment by whom, and what if a government fails the test? Is an unelected private committee based in the BIS allowed to evaluate the "structure and function" of particular national governments and, if they are determined to have fiscal policies that are not "sound," to impose "conditionalities" and "austerity measures" of the sort that the IMF is notorious for imposing on Third World countries? The wary might wonder if that is how the mighty United States is to be brought under the heel of Big Brother at last.

For three centuries, private international banking interests have brought governments in line by blocking them from issuing their own currencies and requiring them to borrow banker-issued "banknotes" instead. "Allow me to issue and control a nation's currency," Mayer Amschel Bauer Rothschild famously said in 1791, "and I care not who makes its laws." The real rebellion of the American colonists in 1776, according to Benjamin Franklin, was against a foreign master who forbade the colonists from issuing their own money and required that taxes be paid in gold. The colonists, not having gold, had to borrow gold-backed banknotes from the British bankers. The catch was that the notes were created on the "fractional reserve" system, allowing the bankers to issue up to ten times as many notes as they actually had gold, essentially creating them out of thin air just as the colonists were doing. The result was not only to lock the colonists into debt to foreign bankers but to propel the nation into a crippling depression. The colonists finally rebelled and reverted to issuing their own currency. Funding a revolution against a major world power with money they printed themselves, they succeeded in defeating their oppressors and winning their independence.

Political colonialism is now a thing of the past, but under the new FSB guidelines, nations can still be held in feudalistic subservience to foreign masters. Consider this scenario: XYZ country, which has been getting along very well financially, discloses that its national currency is being printed by the government directly. The FSB determines that this practice represents an impermissible "merging of the public and private sectors" and is an unsound banking practice forbidden under the "12 Key International Standards and Codes." Banker-created national currency is declared to be the standard "good practice" all governments must follow. XYZ is compelled to abandon the "anachronistic" notion that creating its own national currency is a proper "function of government." It must now borrow from the international bankers, trapping it in the bankers' compound-interest debt web.

Consider another scenario: Like in the American colonies, the new FSB rules precipitate a global depression the likes of which have never before been seen. XYZ country wakes up to the fact that all of this is unnecessary – that it could be creating its own money, freeing itself from the debt trap, rather than borrowing from bankers who create money on computer screens and charge interest for the privilege of borrowing it. But this realization comes too late: the boot descends and XYZ is crushed into line. National sovereignty has been abdicated to a private committee, with no say by the voters.

Was Orwell Just 25 Years Too Early?

Suspicious observers might say that this is how you pull off a private global dictatorship: (1) create a global crisis; (2) appoint an "advisory body" to retain and maintain "stability"; and then (3) "formalize" the advisory body as global regulator. By the time the people wake up to what has happened, it's too late. Marilyn Barnewall, who was dubbed by Forbes Magazine the "dean of American private banking," writes in an April 2009 article titled "What Happened to American Sovereignty at G-20?":

"It seems the world's bankers have executed a bloodless coup and now represent all of the people in the world. . . . President Obama agreed at the G20 meeting in London to create an international board with authority to intervene in U.S. corporations by dictating executive compensation and approving or disapproving business management decisions. Under the new Financial Stability Board, the United States has only one vote. In other words, the group will be largely controlled by European central bankers. My guess is, they will represent themselves, not you and not me and certainly not America."

A bloodless coup . . . Again one is reminded of the admissions of David Rockefeller, who wrote in his Memoirs (Random House 2002):

"Some even believe we are part of a secret cabal working against the best interests of the United States, characterizing my family and me as 'internationalists' and of conspiring with others around the world to build a more integrated global political and economic structure – one world, if you will. If that's the charge, I stand guilty, and I am proud of it."

The Commitments Mandated by the Financial Stability Board

Constitute a Commercial Treaty Requiring a 2/3 Vote of the Senate.

Adoption of the FSB was never voted on by the public, either individually or through their legislators. The G20 Summit has been called "a New Bretton Woods," referring to agreements entered into in 1944 establishing new rules for international trade. But Bretton Woods was put in place by Congressional Executive Agreement, requiring a majority vote of the legislature; and it more properly should have been done by treaty, requiring a two-thirds vote of the Senate, since it was an international agreement binding on the nation. The same should be mandated before imposing the will of the BIS-based Financial Stability Board on the U.S., its banks and its businesses. Here is a quick review of the law:

Article II, Section 2 of the United States Constitution grants power to the President to make treaties only with the "advice and consent" of two-thirds of the Senate. The Constitution does not expressly provide for any alternative to the Article II treaty procedure. However, historically the President has also made international "agreements" through congressional-executive agreements that are ratified with only a majority from both houses of Congress, or sole-executive agreements made by the President alone. A congressional-executive agreement can cover only those matters which the Constitution explicitly places within the powers of Congress and the President; while a sole-executive agreement can cover only those matters within the President's authority or matters in which Congress has delegated authority to the President. A sole-executive agreement can be negotiated and entered into only through the President's authority (1) in foreign policy, (2) as commander-in-chief of the armed forces, (3) from a prior act of Congress, or (4) from a prior treaty. Agreements beyond these competencies must have the approval of Congress (for congressional-executive agreements) or the Senate (for treaties). If an international commercial accord contains binding "treaty" commitments, then a two-thirds vote of the Senate may be required.

Even with a two-thirds Senate vote, before Congress gives its approval it should draft legislation ensuring that the checks and balances imposed by our Constitution are built into the agreement. This could be done by implementing a legislative counterpart to the FSB with full oversight and corrective powers. The legislatures of the member nations could be required to elect a representative body to provide oversight and take corrective measures as needed, with that body's representatives answerable to their national electorates.

Orwell's 1984 made the news again in April 2009, when Queen Elizabeth chose the book as her ceremonial gift for visiting President Felipe Calderon of Mexico. Calderon, who crushed riots with boot-like severity after he was accused of vote-rigging to steal the election from his populist opponent, was said to be an admirer of Orwell's work. The event provoked suspicions that 1984 had been covertly chosen by a modern-day financial oligarchy as the inspirational model for implementing Big Brother globally. The book ends with the protagonist Winston tortured and brainwashed into accepting the party line. We need to act quickly and decisively to ensure that its historical counterpart has a happier ending.

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