Debt Dynamite Dominoes: The Coming Financial Catastrophe

Assessing the Illusion of Recovery

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Understanding the Nature of the Global Economic Crisis

The people have been lulled into a false sense of safety under the ruse of a perceived "economic recovery." Unfortunately, what the majority of people think does not make it so, especially when the people making the key decisions think and act to the contrary. The sovereign debt crises that have been unfolding in the past couple years and more recently in Greece, are canaries in the coal mine for the rest of Western "civilization." The crisis threatens to spread to Spain, Portugal and Ireland; like dominoes, one country after another will collapse into a debt and currency crisis, all the way to America.

In October 2008, the mainstream media and politicians of the Western world were warning of an impending depression if actions were not taken to quickly prevent this. The problem was that this crisis had been a long-time coming, and what's worse, is that the actions governments took did not address any of the core, systemic issues and problems with the global economy; they merely set out to save the banking industry from collapse. To do this, governments around the world implemented massive "stimulus" and "bailout" packages, plunging their countries deeper into debt to save the banks from themselves, while charging it to people of the world.

Then an uproar of stock market speculation followed, as money was pumped into the stocks, but not the real economy. This recovery has been nothing but a complete and utter illusion, and within the next two years, the illusion will likely come to a complete collapse.

The governments gave the banks a blank check, charged it to the public, and now it's time to pay; through drastic tax increases, social spending cuts, privatization of state industries and services, dismantling of any protective tariffs and trade regulations, and raising interest rates. The effect that this will have is to rapidly accelerate, both in the speed and volume, the unemployment rate, globally. The stock market would crash to record lows, where governments would be forced to freeze them altogether.

When the crisis is over, the middle classes of the western world will have been liquidated of their economic, political and social status. The global economy will have gone through the greatest consolidation of industry and banking in world history leading to a system in which only a few corporations and banks control the global economy and its resources; governments will have lost that right. The people of the western world will be treated by the financial oligarchs as they have treated the 'global South' and in particular, Africa; they will remove our social structures and foundations so that we become entirely subservient to their dominance over the economic and political structures of our society.

This is where we stand today, and is the road on which we travel.

The western world has been plundered into poverty, a process long underway, but with the unfolding of the crisis, will be rapidly accelerated. As our societies collapse in on themselves, the governments will protect the banks and multinationals. When the people go out into the streets, as they invariably do and will, the government will not come to their aid, but will come with police and military forces to crush the protests and oppress the people. The social foundations will collapse with the economy, and the state will clamp down to prevent the people from constructing a new one.

The road to recovery is far from here. When the crisis has come to an end, the world we know will have changed dramatically. No one ever grows up in the world they were born into; everything is always changing. Now is no exception. The only difference is, that we are about to go through the most rapid changes the world has seen thus far.

Assessing the Illusion of Recovery

In August of 2009, I wrote an article, *Entering the Greatest Depression in History*, in which I analyzed how there is a deep systemic crisis in the Capitalist system in which we have gone through merely one burst bubble thus far, the housing bubble, but there remains a great many others.

There remains as a significantly larger threat than the housing collapse, a commercial real estate bubble. As the Deutsche Bank CEO said in May of 2009, "It's either the beginning of the end or the end of the beginning."

Of even greater significance is what has been termed the "bailout bubble" in which governments have superficially inflated the economies through massive debt-inducing bailout packages. As of July of 2009, the government watchdog and investigator of the US bailout program stated that the U.S. may have put itself at risk of up to $23.7 trillion dollars.

[See: Andrew Gavin Marshall, Entering the Greatest Depression in History. Global Research: August 7, 2009]

In October of 2009, approximately one year following the "great panic" of 2008, I wrote an article titled, *The Economic Recovery is an Illusion*, in which I analyzed what the most prestigious and powerful financial institution in the world, the Bank for International Settlements (BIS), had to say about the crisis and "recovery."

The BIS, as well as its former chief economist, who had both correctly predicted the crisis that unfolded in 2008, were warning of a future crisis in the global economy, citing the fact that none of the key issues and structural problems with the economy had been changed, and that government bailouts may do more harm than good in the long run.

William White, former Chief Economist of the BIS, warned:

The world has not tackled the problems at the heart of the economic downturn and is likely to slip back into recession. [He] warned that government actions to help the economy in the short run may be sowing the seeds for future crises.

[See: Andrew Gavin Marshall, The Economic Recovery is an Illusion. Global Research: October 3, 2009]

Crying Wolf or Castigating Cassandra?

While people were being lulled into a false sense of security, prominent voices warning of the harsh bite of reality to come were, instead of being listened to, berated and pushed aside by the mainstream media. Gerald Celente, who accurately predicted the economic crisis of 2008 and who had been warning of a much larger crisis to come, had been accused by the mainstream media of pushing "pessimism porn."[1] Celente's response has been that he isn't pushing "pessimism porn," but that he refuses to push "optimism opium" of which the mainstream media does so outstandingly.

So, are these voices of criticism merely "crying wolf" or is it that the media is out to "castigate Cassandra"? Cassandra, in Greek mythology, was the daughter of King Priam and Queen Hecuba of Troy, who was granted by the God Apollo the gift of prophecy. She prophesied and warned the Trojans of the Trojan Horse, the death of Agamemnon and the destruction of Troy. When she warned the Trojans, they simply cast her aside as "mad" and did not heed her warnings.

While those who warn of a future economic crisis may not have been granted the gift of prophecy from Apollo, they certainly have the ability of comprehension.

So what do the Cassandras of the world have to say today? Should we listen?

Empire and Economics

To understand the global economic crisis, we must understand the global causes of the economic crisis. We must first determine how we got to the initial crisis, from there, we can critically assess how governments responded to the outbreak of the crisis, and thus, we can determine where we currently stand, and where we are likely headed.

Africa and much of the developing world was released from the socio-political-economic restraints of the European empires throughout the 1950s and into the 60s. Africans began to try to take their nations into their own hands. At the end of World War II, the United States was the greatest power in the world. It had command of the United Nations, the World Bank and the IMF, as well as setting up the NATO military alliance. The US dollar reigned supreme, and its value was tied to gold.

In 1954, Western European elites worked together to form an international think tank called the Bilderberg Group, which would seek to link the political economies of Western Europe and North America. Every year, roughly 130 of the most powerful people in academia, media, military, industry, banking, and politics would meet to debate and discuss key issues related to the expansion of Western hegemony over the world and the re-shaping of world order. They undertook, as one of their key agendas, the formation of the European Union and the Euro currency unit.

[See: Andrew Gavin Marshall, Controlling the Global Economy: Bilderberg, the Trilateral Commission and the Federal Reserve. Global Research: August 3, 2009]

In 1971, Nixon abandoned the dollar's link to gold, which meant that the dollar no longer had a fixed exchange rate, but would change according to the whims and choices of the

Federal Reserve (the central bank of the United States). One key individual that was responsible for this choice was the third highest official in the U.S. Treasury Department at the time, Paul Volcker.[2]

Volcker got his start as a staff economist at the New York Federal Reserve Bank in the early 50s. After five years there, "David Rockefeller's Chase Bank lured him away."[3] So in 1957, Volcker went to work at Chase, where Rockefeller "recruited him as his special assistant on a congressional commission on money and credit in America and for help, later, on an advisory commission to the Treasury Department."[4] In the early 60s, Volcker went to work in the Treasury Department, and returned to Chase in 1965 "as an aide to Rockefeller, this time as vice president dealing with international business." With Nixon entering the White House, Volcker got the third highest job in the Treasury Department. This put him at the center of the decision making process behind the dissolution of the Bretton Woods agreement by abandoning the dollar's link to gold in 1971.[5]

In 1973, David Rockefeller, the then-Chairman of Chase Manhattan Bank and President of the Council on Foreign Relations, created the Trilateral Commission, which sought to expand upon the Bilderberg Group. It was an international think tank, which would include elites from Western Europe, North America, and Japan, and was to align a "trilateral" political economic partnership between these regions. It was to further the interests and hegemony of the Western controlled world order.

That same year, the Petri-dish experiment of neoliberalism was undertaken in Chile. While a leftist government was coming to power in Chile, threatening the economic interests of not only David Rockefeller's bank, but a number of American corporations, David Rockefeller set up meetings between Henry Kissinger, Nixon's National Security Adviser, and a number of leading corporate industrialists. Kissinger in turn, set up meetings between these individuals and the CIA chief and Nixon himself. Within a short while, the CIA had begun an operation to topple the government of Chile.

On September 11, 1973, a Chilean General, with the help of the CIA, overthrew the government of Chile and installed a military dictatorship that killed thousands. The day following the coup, a plan for an economic restructuring of Chile was on the president's desk. The economic advisers from the University of Chicago, where the ideas of Milton Freidman poured out, designed the restructuring of Chile along neoliberal lines.

Neoliberalism was thus born in violence.

In 1973, a global oil crisis hit the world. This was the result of the Yom Kippur War, which took place in the Middle East in 1973. However, much more covertly, it was an American strategem. Right when the US dropped the dollar's peg to gold, the State Department had quietly begun pressuring Saudi Arabia and other OPEC nations to increase the price of oil. At the 1973 Bilderberg meeting, held six months before the oil price rises, a 400% increase in the price of oil was discussed. The discussion was over what to do with the large influx of what would come to be called "petrodollars," the oil revenues of the OPEC nations.

Henry Kissinger worked behind the scenes in 1973 to ensure a war would take place in the Middle East, which happened in October. Then, the OPEC nations drastically increased the price of oil. Many newly industrializing nations of the developing world, free from the shackles of overt political and economic imperialism, suddenly faced a problem: oil is the lifeblood of an industrial society and it is imperative in the process of development and industrialization. If they were to continue to develop and industrialize, they would need the money to afford to do so.

Concurrently, the oil producing nations of the world were awash with petrodollars, bringing in record surpluses. However, to make a profit, the money would need to be invested. This is where the Western banking system came to the scene. With the loss of the dollar’s link to cold, the US currency could flow around the world at a much faster rate. The price of oil was tied to the price of the US dollar, and so oil was traded in US dollars. OPEC nations thus invested their oil money into Western banks, which in turn, would “recycle” that money by loaning it to the developing nations of the world in need of financing industrialization. It seemed like a win-win situation: the oil nations make money, invest it in the West, which loans it to the South, to be able to develop and build “western” societies.

However, all things do not end as fairy tales, especially when those in power are threatened. An industrialized and developed ‘Global South’ (Latin America, Africa, and parts of Asia) would not be a good thing for the established Western elites. If they wanted to maintain their hegemony over the world, they must prevent the rise of potential rivals, especially in regions so rich in natural resources and the global supplies of energy.

It was at this time that the United States initiated talks with China. The “opening” of China was to be a Western project of expanding Western capital into China. China will be allowed to rise only so much as the West allows it. The Chinese elite were happy to oblige with the prospect of their own growth in political and economic power. India and Brazil also followed suit, but to a smaller degree than that of China. China and India were to brought within the framework of the Trilateral partnership, and in time, both China and India would have officials attending meetings of the Trilateral Commission.

So money flowed around the world, primarily in the form of the US dollar. Foreign central banks would buy US Treasuries (debts) as an investment, which would also show faith in the strength of the US dollar and economy. The hegemony of the US dollar reached around the world.

[See: Andrew Gavin Marshall, Controlling the Global Economy: Bilderberg, the Trilateral Commission and the Federal Reserve. Global Research: August 3, 2009]

The Hegemony of Neoliberalism

In 1977, however, a new US administration came to power under the Presidency of Jimmy Carter, who was himself a member of the Trilateral Commission. With his administration, came another roughly two-dozen members of the Trilateral Commission to fill key positions within his government. In 1973, Paul Volcker, the rising star through Chase Manhattan and the Treasury Department became a member of the Trilateral Commission. In 1975, he was made President of the Federal Reserve Bank of New York, the most powerful of the 12 regional Fed banks. In 1979, Jimmy Carter gave the job of Treasury Secretary to the former Governor of the Federal Reserve System, and in turn, David Rockefeller recommended Jimmy Carter appoint Paul Volcker as Governor of the Federal Reserve Board, which Carter quickly did.[6]

In 1979, the price of oil skyrocketed again. This time, Paul Volcker at the Fed was to take a different approach. His response was to drastically increase interest rates. Interest rates went from 2% in the late 70s to 18% in the early 1980s. The effect this had was that the US economy went into recession, and greatly reduced its imports from developing nations. A the same time, developing nations, who had taken on heavy debt burdens to finance industrialization, suddenly found themselves having to pay 18% interest payments on their loans. The idea that they could borrow heavily to build an industrial society, which would in turn pay off their loans, had suddenly come to a halt. As the US dollar had spread around the world in the forms of petrodollars and loans, the decisions that the Fed made would affect the entire world. In 1982, Mexico announced that it could no longer service its debt, and defaulted on its loans. This marked the spread of the 1980s debt crisis, which spread throughout Latin America and across the continent of Africa.

Suddenly, much of the developing world was plunged into crisis. Thus, the IMF and World Bank entered the scene with their newly developed "Structural Adjustment Programs" (SAPs), which would encompass a country in need signing an agreement, the SAP, which would provide the country with a loan from the IMF, as well as "development" projects by the World Bank. In turn, the country would have to undergo a neoliberal restructuring of its country.

Neoliberalism spread out of America and Britain in the 1980s; through their financial empires and instruments – including the World Bank and IMF – they spread the neoliberal ideology around the globe. Countries that resisted neoliberalism were subjected to "regime change". This would occur through financial manipulation, via currency speculation or the hegemonic monetary policies of the Western nations, primarily the United States; economic sanctions, via the United Nations or simply done on a bilateral basis; covert regime change, through "colour revolutions" or coups, assassinations; and sometimes overt military campaigns and war.

The neoliberal ideology consisted in what has often been termed "free market fundamentalism." This would entail a massive wave of privatization, in which state assets and industries are privatized in order to become economically "more productive and efficient." This would have the social effect of leading to the firing of entire areas of the public sector, especially health and education as well as any specially protected national industries, which for many poor nations meant vital natural resources.

Then, the market would be "liberalized" which meant that restrictions and impediments to foreign investments in the nation would diminish by reducing or eliminating trade barriers and tariffs (taxes), and thus foreign capital (Western corporations and banks) would be able to invest in the country easily, while national industries that grow and "compete" would be able to more easily invest in other nations and industries around the world. The Central Bank of the nation would then keep interest rates artificially low, to allow for the easier movement of money in and out of the country. The effect of this would be that foreign multinational corporations and international banks would be able to easily buy up the privatized industries, and thus, buy up the national economy. Simultaneously major national industries may be allowed to grow and work with the global banks and corporations. This would essentially oligopolize the national economy, and bring it within the sphere of influence of the "global economy" controlled by and for the Western elites.

The European empires had imposed upon Africa and many other colonized peoples around the world a system of 'indirect rule', in which local governance structures were restructured and reorganized into a system where the local population is governed by locals, but for the western colonial powers. Thus, a local elite is created, and they enrich themselves through the colonial system, so they have no interest in challenging the colonial powers, but instead seek to protect their own interests, which happen to be the interests of the empire.

In the era of globalization, the leaders of the 'Third World' have been co-opted and their societies reorganized by and for the interests of the globalized elites. This is a system of indirect rule, and the local elites becoming 'indirect globalists'; they have been brought within the global system and structures of empire.

Following a Structural Adjustment Program, masses of people would be left unemployed; the prices of essential commodities such as food and fuel would increase, sometimes by hundreds of percentiles, while the currency lost its value. Poverty would spread and entire sectors of the economy would be shut down. In the "developing" world of Asia, Latin America and Africa, these policies were especially damaging. With no social safety nets to fall into, the people would go hungry; the public state was dismantled.

When it came to Africa, the continent so rapidly de-industrialized throughout the 1980s and into the 1990s that poverty increased by incredible degrees. With that, conflict would spread. In the 1990s, as the harsh effects of neoliberal policies were easily and quickly seen on the African continent, the main notion pushed through academia, the media, and policy circles was that the state of Africa was due to the "mismanagement" by Africans. The blame was put solely on the national governments. While national political and economic elites did become complicit in the problems, the problems were imposed from beyond the continent, not from within.

Thus, in the 1990s, the notion of "good governance" became prominent. This was the idea that in return for loans and "help" from the IMF and World Bank, nations would need to undertake reforms not only of the economic sector, but also to create the conditions of what the west perceived as "good governance." However, in neoliberal parlance, "good governance" implies "minimal governance", and governments still had to dismantle their public sectors. They simply had to begin applying the illusion of democracy, through the holding of elections and allowing for the formation of a civil society. "Freedom" however, was still to maintain simply an economic concept, in that the nation would be "free" for Western capital to enter into.

While massive poverty and violence spread across the continent, people were given the "gift" of elections. They would elect one leader, who would then be locked into an already pre-determined economic and political structure. The political leaders would enrich themselves at the expense of others, and then be thrown out at the next election, or simply fix the elections. This would continue, back and forth, all the while no real change would be allowed to take place. Western imposed "democracy" had thus failed.

An article in a 2002 edition of *International Affairs*, the journal of the Royal Institute of International Affairs (the British counter-part to the Council on Foreign Relations), wrote that:

In 1960 the average income of the top 20 per cent of the world's population was 30 times that of the bottom 20 per cent. By 1990 it was 60 times, ad by 1997, 74 times that of the lowest fifth. Today the assets of the top three billionaires are more than the combined GNP [Gross National Product] of all least developed countries and their 600 million people.

This has been the context in which there has been an explosive growth in the presence of Western as well as local non-governmental organizations (NGOs) in Africa. NGOs today form a prominent part of the 'development machine', a vast institutional and disciplinary nexus of official agencies, practitioners, consultants, scholars and other miscellaneous experts producing and consuming knowledge about the 'developing world'.

[. . .] Aid (in which NGOs have come to play a significant role) is frequently portrayed as a form of altruism, a charitable act that enables wealth to flow from rich to poor, poverty to be reduced and the poor to be empowered.[7]

The authors then explained that NGOs have a peculiar evolution in Africa:

[T[heir role in 'development' represents a continuity of the work of their precursors, the missionaries and voluntary organizations that cooperated in Europe's colonization and control of Africa. Today their work contributes marginally to the relief of poverty, but significantly to undermining the struggle of African people to emancipate themselves from economic, social and political oppression.[8]

The authors examined how with the spread of neoliberalism, the notion of a "minimalist state" spread across the world and across Africa. Thus, they explain, the IMF and World Bank "became the new commanders of post-colonial economies." However, these efforts were not imposed without resistance, as, "Between 1976 and 1992 there were 146 protests against IMF-supported austerity measures [SAPs] in 39 countries around the world." Usually, however, governments responded with brute force, violently oppressing demonstrations. However, the widespread opposition to these "reforms" needed to be addressed by major organizations and "aid" agencies in re-evaluating their approach to 'development':[9]

The outcome of these deliberations was the 'good governance' agenda in the 1990s and the decision to co-opt NGOs and other civil society organizations to a repackaged programme of welfare provision, a social initiative that could be more accurately described as a programme of social control.

The result was to implement the notion of 'pluralism' in the form of 'multipartyism', which only ended up in bringing "into the public domain the seething divisions between sections of the ruling class competing for control of the state." As for the 'welfare initiatives', the bilateral and multilateral aid agencies set aside significant funds for addressing the "social dimensions of adjustment," which would "minimize the more glaring inequalities that their policies perpetuated." This is where the growth of NGOs in Africa rapidly accelerated.[10]

Africa had again, become firmly enraptured in the cold grip of imperialism. Conflicts in Africa would be stirred up by imperial foreign powers, often using ethnic divides to turn the people against each other, using the political leaders of African nations as vassals submissive to Western hegemony. War and conflict would spread, and with it, so too would Western capital and the multinational corporation.

Building a 'New' Economy

While the developing world fell under the heavy sword of Western neoliberal hegemony, the Western industrialized societies experienced a rapid growth of their own economic strength. It was the Western banks and multinational corporations that spread into and took control of the economies of Africa, Latin America, Asia, and with the fall of the Soviet Union in 1991, Eastern Europe and Central Asia.

Russia opened itself up to Western finance, and the IMF and World Bank swept in and imposed neoliberal restructuring, which led to a collapse of the Russian economy, and enrichment of a few billionaire oligarchs who own the Russian economy, and who are intricately connected with Western economic interests; again, ‘indirect globalists’.

As the Western financial and commercial sectors took control of the vast majority of the world’s resources and productive industries, amassing incredible profits, they needed new avenues in which to invest. Out of this need for a new road to capital accumulation (making money), the US Federal Reserve stepped in to help out.

The Federal Reserve in the 1990s began to ease interest rates lower and lower to again allow for the easier spread of money. This was the era of ‘globalization,’ where proclamations of a “New World Order” emerged. Regional trading blocs and “free trade” agreements spread rapidly, as world systems of political and economic structure increasingly grew out of the national structure and into a supra-national form. The North American Free Trade Agreement (NAFTA) was implemented in an “economic constitution for North America” as Reagan referred to it.

Regionalism had emerged as the next major phase in the construction of the New World Order, with the European Union being at the forefront. The world economy was ‘globalized’ and so too, would the political structure follow, on both regional and global levels. The World Trade Organization (WTO) was formed to maintain and enshrine global neoliberal constitution for trade. All through this time, a truly global ruling class emerged, the Transnational Capitalist Class (TCC), or global elite, which constituted a singular international class.

However, as the wealth and power of elites grew, everyone else suffered. The middle class had been subjected to a quiet dismantling. In the Western developed nations, industries and factories closed down, relocating to cheap Third World countries to exploit their labour, then sell the products in the Western world cheaply. Our living standards in the West began to fall, but because we could buy products for cheaper, no one seemed to complain. We continued to consume, and we used credit and debt to do so. The middle class existed only in theory, but was in fact, beholden to the shackles of debt.

The Clinton administration used ‘globalization’ as its grand strategy throughout the 1990s, facilitating the decline of productive capital (as in, money that flows into production of goods and services), and implemented the rise finance capital (money made on money). Thus, financial speculation became one of the key tools of economic expansion. This is what was termed the “financialization” of the economy. To allow this to occur, the Clinton administration actively worked to deregulate the banking sector. The Glass-Steagle Act, put in place by FDR in 1933 to prevent commercial banks from merging with investment banks and engaging in speculation, (which in large part caused the Great Depression), was slowly dismantled through the coordinated efforts of America’s largest banks, the Federal Reserve, and the US Treasury Department.

Thus, a massive wave of consolidation took place, as large banks ate smaller banks, corporations merged, where banks and corporations stopped being American or European and became truly global. Some of the key individuals that took part in the dismantling of Glass-Steagle and the expansion of ‘financialization’ were Alan Greenspan at the Federal Reserve and Robert Rubin and Lawrence Summers at the Treasury Department, now key officials in Obama’s economic team.

This era saw the rise of 'derivatives' which are 'complex financial instruments' that essentially act as short-term insurance policies, betting and speculating that an asset price or commodity would go up or go down in value, allowing money to be made on whether stocks or prices go up or down. However, it wasn't called 'insurance' because 'insurance' has to be regulated. Thus, it was referred to as derivatives trade, and organizations called Hedge Funds entered the picture in managing the global trade in derivatives.

The stock market would go up as speculation on future profits drove stocks higher and higher, inflating a massive bubble in what was termed a 'virtual economy.' The Federal Reserve facilitated this, as it had previously done in the lead-up to the Great Depression, by keeping interest rates artificially low, and allowing for easy-flowing money into the financial sector. The Federal Reserve thus inflated the 'dot-com' bubble of the technology sector. When this bubble burst, the Federal Reserve, with Allen Greenspan at the helm, created the "housing bubble."

The Federal Reserve maintained low interest rates and actively encouraged and facilitated the flow of money into the housing sector. Banks were given free reign and actually encouraged to make loans to high-risk individuals who would never be able to pay back their debt. Again, the middle class existed only in the myth of the 'free market'.

Concurrently, throughout the 1990s and into the early 2000s, the role of speculation as a financial instrument of war became apparent. Within the neoliberal global economy, money could flow easily into and out of countries. Thus, when confidence weakens in the prospect of one nation's economy, there can be a case of 'capital flight' where foreign investors sell their assets in that nation's currency and remove their capital from that country. This results in an inevitable collapse of the nations economy.

This happened to Mexico in 1994, in the midst of joining NAFTA, where international investors speculated against the Mexican peso, betting that it would collapse; they cashed in their pesos for dollars, which devalued the peso and collapsed the Mexican economy. This was followed by the East Asian financial crisis in 1997, where throughout the 1990s, Western capital had penetrated East Asian economies speculating in real estate and the stock markets. However, this resulted in over-investment, as the real economy, (production, manufacturing, etc.) could not keep up with speculative capital. Thus, Western capital feared a crisis, and began speculating against the national currencies of East Asian economies, which triggered devaluation and a financial panic as capital fled from East Asia into Western banking sectors. The economies collapsed and then the IMF came in to 'restructure' them accordingly. The same strategy was undertaken with Russia in 1998, and Argentina in 2001.

[See: Andrew Gavin Marshall, Forging a "New World Order" Under a One World Government. Global Research: August 13, 2009]

Throughout the 2000s, the housing bubble was inflated beyond measure, and around the middle of the decade, when the indicators emerged of a crisis in the housing market a commercial real estate bubble was formed. This bubble has yet to burst.

The 2007-2008 Financial Crisis

In 2007, the Bank for International Settlements (BIS), the most prestigious financial institution in the world and the central bank to the world's central banks, issued a warning that the world is on the verge of another Great Depression, "citing mass issuance of new-fangled credit instruments, soaring levels of household debt, extreme appetite for risk shown by investors, and entrenched imbalances in the world currency system."[11]

As the housing bubble began to collapse, the commodity bubble was inflated, where money went increasingly into speculation, the stock market, and the price of commodities soared, such as with the massive increases in the price of oil between 2007 and 2008. In September of 2007, a medium-sized British Bank called Northern Rock, a major partaker in the loans of bad mortgages which turned out to be worthless, sought help from the Bank of England, which led to a run on the bank and investor panic. In February of 2008, the British government bought and nationalized Northern Rock.

In March of 2008, Bear Stearns, an American bank that had been a heavy lender in the mortgage real estate market, went into crisis. On March 14, 2008, the Federal Reserve Bank of New York worked with J.P. Morgan Chase (whose CEO is a board member of the NY Fed) to provide Bear Stearns with an emergency loan. However, they quickly changed their mind, and the CEO of JP Morgan Chase, working with the President of the New York Fed, Timothy Geithner, and the Treasury Secretary Henry Paulson (former CEO of Goldman Sachs), forced Bear Stearns to sell itself to JP Morgan Chase for $2 a share, which had previously traded at $172 a share in January of 2007. The merger was paid for by the Federal Reserve of New York, and charged to the US taxpayer.

In June of 2008, the BIS again warned of an impending Great Depression.[12]

In September of 2008, the US government took over Fannie Mae and Freddie Mac, the two major home mortgage corporations. The same month, the global bank Lehman Brothers declared bankruptcy, giving the signal that no one is safe and that the entire economy was on the verge of collapse. Lehman was a major dealer in the US Treasury Securities market and was heavily invested in home mortgages. Lehman filed for bankruptcy on September 15, 2008, marking the largest bankruptcy in US history. A wave of bank consolidation spread across the United States and internationally. The big banks became much bigger as Bank of America swallowed Merrill Lynch, JP Morgan ate Washington Mutual, and Wells Fargo took over Wachovia.

In November of 2008, the US government bailed out the largest insurance company in the world, AIG. The Federal Reserve Bank of New York, with Timothy Geithner at the helm:

[Bought out], for about $30 billion, insurance contracts AIG sold on toxic debt securities to banks, including Goldman Sachs Group Inc., Merrill Lynch & Co., Societe Generale and Deutsche Bank AG, among others. That decision, critics say, amounted to a back-door bailout for the banks, which received 100 cents on the dollar for contracts that would have been worth far less had AIG been allowed to fail.

As *Bloomberg* reported, since the New York Fed is quasi-governmental, as in, it is given government authority, but not subject to government oversight, and is owned by the banks that make up its board (such as JP Morgan Chase), "It's as though the New York Fed was a black-ops outfit for the nation's central bank."[13]

The Bailout

In the fall of 2008, the Bush administration sought to implement a bailout package for the economy, designed to save the US banking system. The leaders of the nation went into rabid fear mongering. The President warned:

More banks could fail, including some in your community. The stock market would drop even more, which would reduce the value of your retirement account. The value of your home could plummet. Foreclosures would rise dramatically.

The head of the Federal Reserve Board, Ben Bernanke, as well as Treasury Secretary Paulson, in late September warned of "recession, layoffs and lost homes if Congress doesn't quickly approve the Bush administration's emergency $700 billion financial bailout plan."[14] Seven months prior, in February of 2008, prior to the collapse of Bear Stearns, both Bernanke and Paulson said "the nation will avoid falling into recession."[15] In September of 2008, Paulson was saying that people "should be scared."[16]

The bailout package was made into a massive financial scam, which would plunge the United States into unprecedented levels of debt, while pumping incredible amounts of money into major global banks.

The public was told, as was the Congress, that the bailout was worth $700 billion dollars. However, this was extremely misleading, and a closer reading of the fine print would reveal much more, in that $700 billion is the amount that could be spent "at any one time." As Chris Martenson wrote:

This means that $700 billion is NOT the cost of this dangerous legislation, it is only the amount that can be outstanding at any one time. After, say, $100 billion of bad mortgages are disposed of, another $100 billion can be bought. In short, these four little words assure that there is NO LIMIT to the potential size of this bailout. This means that $700 billion is a rolling amount, not a ceiling.

So what happens when you have vague language and an unlimited budget? Fraud and self-dealing. Mark my words, this is the largest looting operation ever in the history of the US, and it's all spelled out right in this delightfully brief document that is about to be rammed through a scared Congress and made into law.[17]

Further, the proposed bill would "raise the nation's debt ceiling to $11.315 trillion from $10.615 trillion," and that the actions taken as a result of the passage of the bill would not be subject to investigation by the nation's court system, as it would "bar courts from reviewing actions taken under its authority":

The Bush administration seeks "dictatorial power unreviewable by the third branch of government, the courts, to try to resolve the crisis," said Frank Razzano, a former assistant chief trial attorney at the Securities and Exchange Commission now at Pepper Hamilton LLP in Washington. "We are taking a huge leap of faith."[18]

Larisa Alexandrovna, writing with the *Huffington Post*, warned that the passage of the bailout bill will be the final nails in the coffin of the fascist coup over America, in the form of financial fascists:

This manufactured crisis is now to be remedied, if the fiscal fascists get their way, with the total transfer of Congressional powers (the few that still remain) to the Executive Branch and the total transfer of public funds into corporate (via government as intermediary) hands.

[. . .] The Treasury Secretary can buy broadly defined assets, on any terms he wants, he can hire anyone he wants to do it and can appoint private sector companies as financial deputies of the US government. And he can write whatever regulation he thinks [is] needed.

Decisions by the Secretary pursuant to the authority of this Act are non-reviewable and committed to agency discretion, and may not be reviewed by any court of law or any administrative agency.[19]

At the same time, the US Federal Reserve was bailing out foreign banks of hundreds of billions of dollars, "that are desperate for dollars and can't access America's frozen credit markets – a move co-ordinated with central banks in Japan, the Eurozone, Switzerland, Canada and here in the UK."[20] The moves would have been coordinated through the Bank for International Settlements (BIS) in Basle, Switzerland. As Politico reported, "foreign-based banks with big U.S. operations could qualify for the Treasury Department's mortgage bailout." A Treasury Fact Sheet released by the US Department of Treasury stated that:

Participating financial institutions must have significant operations in the U.S., unless the Secretary makes a determination, in consultation with the Chairman of the Federal Reserve, that broader eligibility is necessary to effectively stabilize financial markets.[21]

So, the bailout package would not only allow for the rescue of American banks, but any banks internationally, whether public or private, if the Treasury Secretary deemed it "necessary", and that none of the Secretary's decisions could be reviewed or subjected to oversight of any kind. Further, it would mean that the Treasury Secretary would have a blank check, but simply wouldn't be able to hand out more than $700 billion "at any one time." In short, the bailout is in fact, a coup d'état by the banks over the government.

Many Congressmen were told that if they failed to pass the bailout package, they were threatened with martial law.[22] Sure enough, Congress passed the bill, and the financial coup had been a profound success.

No wonder then, in early 2009, one Congressman reported that the banks "are still the most powerful lobby on Capitol Hill. And they frankly own the place."[23] Another Congressman said that "The banks run the place," and explained, "I will tell you what the problem is – they give three times more money than the next biggest group. It's huge the amount of money they put into politics."[24]

The Collapse of Iceland

On October 9th, 2008, the government of Iceland took control of the nation's largest bank, nationalizing it, and halted trading on the Icelandic stock market. Within a single week, "the vast majority of Iceland's once-proud banking sector has been nationalized." In early October, it was reported that:

Iceland, which has transformed itself from one of Europe's poorest countries to one of its wealthiest in the space of a generation, could face bankruptcy. In a televised address to the nation, Prime Minister Geir Haarde conceded: "There is a very real danger, fellow citizens, that the Icelandic economy in the worst case could be sucked into the whirlpool, and the result could be national bankruptcy."

An article in *BusinessWeek* explained:

How did things get so bad so fast? Blame the Icelandic banking system's heavy reliance on external financing. With the privatization of the banking sector, completed in 2000, Iceland's banks used substantial wholesale funding to finance their entry into the local mortgage market and acquire foreign financial firms, mainly in Britain and Scandinavia. The banks, in large part, were simply following the international ambitions of a new generation of Icelandic entrepreneurs who forged global empires in industries from retailing to food production to pharmaceuticals. By the end of 2006, the total assets of the three main banks were $150 billion, eight times the country's GDP.

In just five years, the banks went from being almost entirely domestic lenders to becoming major international financial intermediaries. In 2000, says Richard Portes, a professor of economics at London Business School, two-thirds of their financing came from domestic sources and one-third from abroad. More recently—until the crisis hit—that ratio was reversed. But as wholesale funding markets seized up, Iceland's banks started to collapse under a mountain of foreign debt.[25]

This was the grueling situation that faced the government at the time of the global economic crisis. The causes, however, were not Icelandic; they were international. Iceland owed "more than $60 billion overseas, about six times the value of its annual economic output. As a professor at London School of Economics said, 'No Western country in peacetime has crashed so quickly and so badly'."[26]

What went wrong?

Iceland followed the path of neoliberalism, deregulated banking and financial sectors and aided in the spread and ease of flow for international capital. When times got tough, Iceland went into crisis, as the *Observer* reported in early October 2008:

Iceland is on the brink of collapse. Inflation and interest rates are raging upwards. The krona, Iceland's currency, is in freefall and is rated just above those of Zimbabwe and Turkmenistan.

[. . .] The discredited government and officials from the central bank have been huddled behind closed doors for three days with still no sign of a plan. International banks won't send any more money and supplies of foreign currency are running out.[27]

In 2007, the UN had awarded Iceland the "best country to live in":

The nation's celebrated rags-to-riches story began in the Nineties when free market reforms, fish quota cash and a stock market based on stable pension funds allowed Icelandic entrepreneurs to go out and sweep up international credit. Britain and Denmark were favourite shopping haunts, and in 2004 alone Icelanders spent £894m on shares in British companies. In just five years, the average Icelandic family saw its wealth increase by 45 per cent.[28]

As the third of Iceland's large banks was in trouble, following the government takeover of the previous two, the UK responded by freezing Icelandic assets in the UK. Kaupthing, the last of the three banks standing in early October, had many assets in the UK.

On October 7th, Iceland's Central Bank governor told the media, "We will not pay for irresponsible debtors and…not for banks who have behaved irresponsibly." The following day, UK Chancellor of the Exchequer, Alistair Darling, claimed that, "The Icelandic government, believe it or not, have told me yesterday they have no intention of honoring their obligations here," although, Arni Mathiesen, the Icelandic minister of finance, said, "nothing in this telephone conversation can support the conclusion that Iceland would not honor its obligation."[29]

On October 10, 2008, UK Prime Minister Gordon Brown said, "We are freezing the assets of Icelandic companies in the United Kingdom where we can. We will take further action against the Icelandic authorities wherever that is necessary to recover money." Thus:

Many Icelandic companies operating in the U.K., in totally unrelated industries, experienced their assets being frozen by the U.K. government–as well as other acts of seeming vengeance by U.K. businesses and media.

The immediate effect of the collapse of Kaupthing is that Iceland's financial system is ruined and the foreign exchange market shut down. Retailers are scrambling to secure currency for food imports and medicine. The IMF is being called in for assistance.[30]

The UK had more than £840m invested in Icelandic banks, and they were moving in to save their investments,[31] which just so happened to help spur on the collapse of the Icelandic economy.

On October 24, 2008, an agreement between Iceland and the IMF was signed. In late November, the IMF approved a loan to Iceland of $2.1 billion, with an additional $3 billion in loans from Denmark, Finland, Norway, Sweden, Russia, and Poland.[32] Why the agreement to the loan took so long, was because the UK pressured the IMF to delay the loan "until a dispute over the compensation Iceland owes savers in Icesave, one of its collapsed banks, is resolved."[33]

In January of 2009, the entire Icelandic government was "formally dissolved" as the government collapsed when the Prime Minister and his entire cabinet resigned. This put the opposition part in charge of an interim government.[34] In July of 2009, the new government formally applied for European Union membership, however, "Icelanders have traditionally been skeptical of the benefits of full EU membership, fearing that they would lose some of their independence as a small state within a larger political entity."[35]

In August of 2009, Iceland's parliament passed a bill "to repay Britain and the Netherlands more than $5 billion lost in Icelandic deposit accounts":

Icelanders, already reeling from a crisis that has left many destitute, have objected to paying for mistakes made by private banks under the watch of other governments.

Their anger in particular is directed at Britain, which used an anti-terrorism law to seize Icelandic assets during the crisis last year, a move which residents said added insult to injury.

The government argued it had little choice but to make good on the debts if it wanted to ensure aid continued to flow. Rejection could have led to Britain or the Netherlands seeking to block aid from the International Monetary Fund (IMF).[36]

Iceland is now in the service of the IMF and its international creditors. The small independent nation that for so long had prided itself on a strong economy and strong sense of independence had been brought to its knees.

In mid-January of 2010, the IMF and Sweden together delayed their loans to Iceland, due to Iceland's "failure to reach a £2.3bn compensation deal with Britain and the Netherlands over its collapsed Icesave accounts." Sweden, the UK and the IMF were blackmailing Iceland to save UK assets in return for loans.[37]

In February of 2010, it was reported that the EU would begin negotiations with Iceland to secure Icelandic membership in the EU by 2012. However, Iceland's "aspirations are now tied partially to a dispute with the Netherlands and Britain over $5 billion in debts lost in the country's banking collapse in late 2008."[38]

Iceland stood as a sign of what was to come. The sovereign debt crisis that brought Iceland to its knees had new targets on the horizon.

Dubai Hit By Financial Storm

In February of 2009, the *Guardian* reported that, "A six-year boom that turned sand dunes into a glittering metropolis, creating the world's tallest building, its biggest shopping mall and, some say, a shrine to unbridled capitalism, is grinding to a halt," as Dubai, one of six states that form the United Arab Emirates (UAE), went into crisis. Further, "the real estate bubble that propelled the frenetic expansion of Dubai on the back of borrowed cash and speculative investment, has burst."[39]

Months later, in November of 2009, Dubai was plunged into a debt crisis, prompting fears of sparking a double-dip recession and the next wave of the financial crisis. As the *Guardian* reported:

Governments have cut interest rates, created new electronic money and allowed budget deficits to reach record levels in an attempt to boost growth after the near-collapse of the global financial system. [. . .] Despite having oil, it's still the case that many of these countries had explosive credit growth. It's very clear that in 2010, we've got plenty more problems in store.[40]

The neighboring oil-rich state of Abu Dhabi, however, came to the rescue of Dubai with a $10 billion bailout package, leading the Foreign Minister of the UAE to declare Dubai's financial crisis as over.[41]

In mid-February of 2010, however, renewed fears of a debt crisis in Dubai resurfaced; Morgan Stanley reported that, "the cost to insure against a Dubai default [in mid-February] shot up to the level it was at during the peak of the city-state's debt crisis in November."[42] These fears resurfaced as:

Investors switched their attention to the Gulf [on February 15] as markets reacted to fears that a restructuring plan from the state-owned conglomerate Dubai World would pay creditors only 60 per cent of the money they are owed.[43]

Again, the aims that governments seek in the unfolding debt crisis is not to save their people from a collapsing economy and inflated currency, but to save the 'interests' of their major banks and corporations within each collapsing economy.

A Sovereign Debt Crisis Hits Greece

In October of 2009, a new Socialist government came to power in Greece on the promise of injecting 3 billion euros to reinvigorate the Greek economy.[44] Greece had suffered particularly hard during the economic crisis; it experienced riots and protests. In December of 2009, Greece said it would not default on its debt, but the government added, “Salaried workers will not pay for this situation: we will not proceed with wage freezes or cuts. We did not come to power to tear down the social state.” As Ambrose Evans-Pritchard wrote for the *Telegraph* in December of 2009:

Greece is being told to adopt an IMF-style austerity package, without the devaluation so central to IMF plans. The prescription is ruinous and patently self-defeating. Public debt is already 113pc of GDP. The [European] Commission says it will reach 125pc by late 2010. It may top 140pc by 2012.

If Greece were to impose the draconian pay cuts under way in Ireland (5pc for lower state workers, rising to 20pc for bosses), it would deepen depression and cause tax revenues to collapse further. It is already too late for such crude policies. Greece is past the tipping point of a compound debt spiral.

Evans-Pritchard wrote that the crisis in Greece had much to do with the European Monetary Union (EMU), which created the Euro, and made all member states subject to the decisions of the European Central Bank, as “Interest rates were too low for Greece, Portugal, Spain, and Ireland, causing them all to be engulfed in a destructive property and wage boom.” Further:

EU states may club together to keep Greece afloat with loans for a while. That solves nothing. It increases Greece’s debt, drawing out the agony. What Greece needs – unless it leaves EMU – is a permanent subsidy from the North. Spain and Portugal will need help too.[45]

Greece’s debt had soared, by early December 2009, to a spiraling 300-billion euros, as its “financial woes have also weighed on the euro currency, whose long-term value depends on member countries keeping their finances in order.” Further, Ireland, Spain and Portugal were all facing problems with their debt. As it turned out, the previous Greek government had been cooking the books, and when the new government came to power, it inherited twice the federal deficit it had anticipated.[46]

In February of 2010, the *New York Times* revealed that:

[W]ith Wall Street’s help, [Greece] engaged in a decade-long effort to skirt European debt limits. One deal created by Goldman Sachs helped obscure billions in debt from the budget overseers in Brussels.

Even as the crisis was nearing the flashpoint, banks were searching for ways to help Greece forestall the day of reckoning. In early November — three months before Athens became the epicenter of global financial anxiety — a team from Goldman Sachs arrived in the ancient city with a very modern proposition for a government struggling to pay its bills, according to two people who were briefed on the meeting.

The bankers, led by Goldman’s president, Gary D. Cohn, held out a financing instrument that would have pushed debt from Greece’s health care system far into the future, much as when strapped homeowners take out second mortgages to pay off their credit cards.[47]

Even back in 2001, when Greece joined the Euro-bloc, Goldman Sachs helped the country "quietly borrow billions" in a deal "hidden from public view because it was treated as a currency trade rather than a loan, [and] helped Athens to meet Europe's deficit rules while continuing to spend beyond its means." Further, "Greece owes the world $300 billion, and major banks are on the hook for much of that debt. A default would reverberate around the globe." Both Goldman Sachs and JP Morgan Chase had undertaken similar efforts in Italy and other countries in Europe as well.[48]

In early February, EU nations led by France and Germany met to discuss a rescue package for Greece, likely with the help of the European Central Bank and possibly the IMF. The issue had plunged the Eurozone into a crisis, as confidence in the Euro fell across the board, and "Germans have become so disillusioned with the euro, many will not accept notes produced outside their homeland."[49]

Germany was expected to bail out the Greek economy, much to the dismay of the German people. As one German politician stated, "We cannot expect the citizens, whose taxes are already too high, to go along with supporting the erroneous financial and budget policy of other states of the eurozone." One economist warned that the collapse of Greece could lead to a collapse of the Euro:

There are enough people speculating on the markets about the possible bankruptcy of Greece, and once Greece goes, they would then turn their attentions to Spain and Italy, and Germany and France would be forced to step in once again.[50]

However, the Lisbon Treaty had been passed over 2009, which put into effect a European Constitution, giving Brussels enormous powers over its member states. As the *Telegraph* reported on February 16, 2010, the EU stripped Greece of its right to vote at a crucial meeting to take place in March:

The council of EU finance ministers said Athens must comply with austerity demands by March 16 or lose control over its own tax and spend policies altogether. It if fails to do so, the EU will itself impose cuts under the draconian Article 126.9 of the Lisbon Treaty in what would amount to economic suzerainty [i.e., foreign economic control].

While the symbolic move to suspend Greece of its voting rights at one meeting makes no practical difference, it marks a constitutional watershed and represents a crushing loss of sovereignty.

"We certainly won't let them off the hook," said Austria's finance minister, Josef Proll, echoing views shared by colleagues in Northern Europe. Some German officials have called for Greece to be denied a vote in all EU matter until it emerges from "receivership".

The EU has still refused to reveal details of how it might help Greece raise €30bn (£26bn) from global debt markets by the end of June.[51]

It would appear that the EU is in a troubling position. If they allow the IMF to rescue Greece, it would be a blow to the faith in the Euro currency, whereas if they bailout Greece, it will encourage internal pressures within European countries to abandon the Euro.

In early February, Ambrose Evans-Pritchard wrote in the *Telegraph* that, "The Greek debt crisis has spread to Spain and Portugal in a dangerous escalation as global markets test whether Europe is willing to shore up monetary union with muscle rather than mere words":

Julian Callow from Barclays Capital said the EU may to need to invoke emergency treaty powers under Article 122 to halt the contagion, issuing an EU guarantee for Greek debt. "If not contained, this could result in a `Lehman-style' tsunami spreading across much of the EU."

[. . .] EU leaders will come to the rescue in the end, but Germany has yet to blink in this game of "brinkmanship". The core issue is that EMU's credit bubble has left southern Europe with huge foreign liabilities: Spain at 91pc of GDP (€950bn); Portugal 108pc (€177bn). This compares with 87pc for Greece (€208bn). By this gauge, Iberian imbalances are worse than those of Greece, and the sums are far greater. The danger is that foreign creditors will cut off funding, setting off an internal EMU version of the Asian financial crisis in 1998.[52]

Fear began to spread in regards to a growing sovereign debt crisis, stretching across Greece, Spain and Portugal, and likely much wider and larger than that.

A Global Debt Crisis

In 2007, the Bank for International Settlements (BIS), "the world's most prestigious financial body," warned of a coming great depression, and stated that while in a crisis, central banks may cut interest rates (which they subsequently did). However, as the BIS pointed out, while cutting interest rates may help, in the long run it has the effect of "sowing the seeds for more serious problems further ahead."[53]

In the summer of 2008, prior to the apex of the 2008 financial crisis in September and October, the BIS again warned of the inherent dangers of a new Great Depression. As Ambrose Evans-Pritchard wrote, "the ultimate bank of central bankers" warned that central banks, such as the Federal Reserve, would not find it so easy to "clean up" the messes they had made in asset-price bubbles.

The BIS report stated that, "It is not impossible that the unwinding of the credit bubble could, after a temporary period of higher inflation, culminate in a deflation that might be hard to manage, all the more so given the high debt levels." As Evans-Pritchard explained, "this amounts to a warning that monetary overkill by the Fed, the Bank of England, and above all the European Central Bank could prove dangerous at this juncture." The BIS report warned that, "Global banks – with loans of $37 trillion in 2007, or 70pc of world GDP – are still in the eye of the storm." Ultimately, the actions of central banks were designed "to put off the day of reckoning," not to prevent it.[54]

Seeing how the BIS is not simply a casual observer, but is in fact the most important financial institution in the world, as it is where the world's central bankers meet and, in secret, decide monetary policy for the world. As central banks have acted as the architects of the financial crisis, the BIS warning of a Great Depression is not simply a case of Cassandra prophesying the Trojan Horse, but is a case where she prophesied the horse, then opened the gates of Troy and pulled the horse in.

It was within this context that the governments of the world took on massive amounts of debt and bailed out the financial sectors from their accumulated risk by buying their bad debts.

In late June of 2009, several months following Western governments implementing bailouts and stimulus packages, the world was in the euphoria of "recovery." At this time, however, the Bank for International Settlements released another report warning against such complacency in believing in the "recovery." The BIS warned of only "limited progress" in fixing the financial system. The article is worth quoting at length:

Instead of implementing policies designed to clean up banks' balance sheets, some rescue plans have pushed banks to maintain their lending practices of the past, or even increase domestic credit where it's not warranted.

[. . .] The lack of progress threatens to prolong the crisis and delay the recovery because a dysfunctional financial system reduces the ability of monetary and fiscal actions to stimulate the economy.

That's because without a solid banking system underpinning financial markets, *stimulus measures won't be able to gain traction, and may only lead to a temporary pickup in growth*.

A fleeting recovery could well make matters worse, the BIS warns, since *further government support for banks is absolutely necessary, but will become unpopular if the public sees a recovery in hand*. And authorities may get distracted with sustaining credit, asset prices and demand rather than focusing on fixing bank balance sheets.

[. . .] It warned that despite the unprecedented measures in the form of fiscal stimulus, interest rate cuts, bank bailouts and quantitative easing, there is an "open question" whether the policies will be able to stabilize the global economy.

And as governments bulk up their deficits to spend their way out of the crisis, they need to be careful that their lack of restraint doesn't come back to bite them, the central bankers said. If governments don't communicate a credible exit strategy, they will find it harder to place debt, and could face rising funding costs – leading to *spending cuts or significantly higher taxes*.[55]

The BIS had thus endorsed the bailout and stimulus packages, which is no surprise, considering that the BIS is owned by the central banks of the world, which in turn are owned by the major global banks that were "bailed out" by the governments. However, the BIS warned that these rescue efforts, "while necessary" for the banks, will likely have deleterious effects for national governments.

The BIS warned that, "there's a risk central banks will raise interest rates and withdraw emergency liquidity too late, triggering inflation":

Central banks around the globe have lowered borrowing costs to record lows and injected billions of dollars [or, more accurately, trillions] into the financial system to counter the worst recession since World War II. While some policy makers have stressed the need to withdraw the emergency measures as soon as the economy improves, the Federal Reserve, Bank of England, and European Central Bank are still in the process of implementing asset-purchase programs designed to unblock credit markets and revive growth.

"The big and justifiable worry is that, before it can be reversed, the dramatic easing in monetary policy will translate into growth in the broader monetary and credit aggregates," the BIS said. *That will "lead to inflation that feeds inflation expectations or it may fuel yet another asset-price bubble, sowing the seeds of the next financial boom-bust cycle*."[56]

Of enormous significance was the warning from the BIS that, "*fiscal stimulus packages may provide no more than a temporary boost to growth, and be followed by an extended period of economic stagnation*." As the *Australian* reported in late June:

The only international body to correctly predict the financial crisis – the Bank for International Settlements (BIS) – has warned the biggest risk is that governments might be forced by world bond investors to abandon their stimulus packages, and instead *slash spending while lifting taxes and interest rates.*

Further, major western countries such as Australia "faced the possibility of a run on the currency, which would force interest rates to rise," and "Particularly in smaller and more open economies, pressure on the currency could force central banks to follow a tighter policy than would be warranted by domestic economic conditions." Not surprisingly, the BIS stated that, "*government guarantees and asset insurance have exposed taxpayers to potentially large losses*," through the bailouts and stimulus packages, and "stimulus programs will drive up real interest rates and inflation expectations," as inflation "would intensify as the downturn abated."[57]

In May of 2009, Simon Johnson, former chief economist of the International Monetary Fund (IMF), warned that Britain faces a major struggle in the next phase of the economic crisis:

[T]he mountain of debt that had poisoned the financial system had not disappeared overnight. Instead, it has been shifted from the private sector onto the public sector balance sheet. Britain has taken on hundreds of billions of pounds of bank debt and stands behind potentially trillions of dollars of contingent liabilities.

If the first stage of the crisis was the financial implosion and the second the economic crunch, the third stage – the one heralded by Johnson – is where governments start to topple under the weight of this debt. If 2008 was a year of private sector bankruptcies, 2009 and 2010, it goes, will be the years of government insolvency.

However, as dire as things look for Britain, "The UK is likely to be joined by other countries as the full scale of the downturn becomes apparent and more financial skeletons are pulled from the sub-prime closet."[58]

In September of 2009, the former Chief Economist of the Bank for International Settlements (BIS), William White, who had accurately predicted the previous crisis, warned that, "The world has not tackled the problems at the heart of the economic downturn and is likely to slip back into recession." He "also warned that government actions to help the economy in the short run may be sowing the seeds for future crises." An article in the *Financial Times* elaborated:

"Are we going into a W[-shaped recession]? Almost certainly. Are we going into an L? I would not be in the slightest bit surprised," [White] said, referring to the risks of a so-called double-dip recession or a protracted stagnation like Japan suffered in the 1990s.

"The only thing that would really surprise me is a rapid and sustainable recovery from the position we're in."

The comments from Mr White, who ran the economic department at the central banks' bank from 1995 to 2008, carry weight because he was one of the few senior figures to predict the financial crisis in the years before it struck.

Mr White repeatedly warned of dangerous imbalances in the global financial system as far back as 2003 and – breaking a great taboo in central banking circles at the time – he dared to challenge Alan Greenspan, then chairman of the Federal Reserve, over his policy of persistent cheap money [i.e., low interest rates].

[. . .] Worldwide, central banks have pumped [trillions] of dollars of new money into the financial system over the past two years in an effort to prevent a depression. Meanwhile, governments have gone to similar extremes, taking on vast sums of debt to prop up industries from banking to car making.

These measures may already be inflating a bubble in asset prices, from equities to commodities, he said, and there was a small risk that inflation would get out of control over the medium term if central banks miss-time their "exit strategies".

Meanwhile, the underlying problems in the global economy, such as unsustainable trade imbalances between the US, Europe and Asia, had not been resolved.[59]

In late September of 2009, the General Manager of the BIS warned governments against complacency, saying that, "the market rebound should not be misinterpreted," and that, "The profile of the recovery is not clear."[60]

In September, the *Financial Times* further reported that William White, former Chief Economist at the BIS, also "argued that after two years of government support for the financial system, we now have a set of banks that are even bigger – and more dangerous – than ever before," which also, "has been argued by Simon Johnson, former chief economist at the International Monetary Fund," who "says that the finance industry has in effect captured the US government," and pointedly stated: "recovery will fail unless we break the financial oligarchy that is blocking essential reform."[61]

In mid-September, the BIS released a warning about the global financial system, as "The global market for derivatives rebounded to $426 trillion in the second quarter [of 2009] as risk appetite returned, but the system remains unstable and prone to crises." The derivatives rose by 16% "mostly due to a surge in futures and options contracts on three-month interest rates." In other words, speculation is back in full force as bailout money to banks in turn fed speculative practices that have not been subjected to reform or regulation. Thus, the problems that created the previous crisis are still present and growing:

Stephen Cecchetti, the [BIS] chief economist, said over-the-counter markets for derivatives are still opaque and pose "major systemic risks" for the financial system. The danger is that regulators will again fail to see that big institutions have taken far more exposure than they can handle in shock conditions, repeating the errors that allowed the giant US insurer AIG to write nearly "half a trillion dollars" of unhedged insurance through credit default swaps.[62]

In late November of 2009, Morgan Stanley warned that, "Britain risks becoming the first country in the G10 bloc of major economies to risk capital flight and a full-blown debt crisis over coming months." The Bank of England may have to raise interest rates "before it is ready — risking a double-dip recession, and an incipient compound-debt spiral." Further:

Morgan Stanley said [the] sterling may fall a further 10pc in trade-weighted terms. This would complete the steepest slide in the pound since the industrial revolution, exceeding the 30pc drop from peak to trough after Britain was driven off the Gold Standard in cataclysmic circumstances in 1931.[63]

As Ambrose Evans-Pritchard wrote for the *Telegraph*, this “is a reminder that countries merely bought time during the crisis by resorting to fiscal stimulus and shunting private losses onto public books,” and, while he endorsed the stimulus packages claiming it was “necessary,” he admitted that the stimulus packages “have not resolved the underlying debt problem. They have storied up a second set of difficulties by degrading sovereign debt across much of the world.”[64] Morgan Stanley said another surprise in 2010 could be a surge in the dollar. However, this would be due to capital flight out of Europe as its economies crumble under their debt burdens and capital seeks a “safe haven” in the US dollar.

In December of 2009, the *Wall Street Journal* reported on the warnings of some of the nation’s top economists, who feared that following a financial crisis such as the one experienced in the previous two years, “there’s typically a wave of sovereign default crises.” As economist Kenneth Rogoff explained, “If you want to know what’s next on the menu, that’s a good bet,” as “Spiraling government debts around the world, from Washington to Berlin to Tokyo, could set the scene for years of financial troubles.” Apart from the obvious example of Greece, other countries are at risk, as the author of the article wrote:

Also worrying are several other countries at the periphery of Europe—the Baltics, Eastern European countries like Hungary, and maybe Ireland and Spain. This is where public finances are worst. And the handcuffs of the European single currency, Prof. Rogoff said, mean individual countries can’t just print more money to get out of their debts. (For the record, the smartest investor I have ever known, a hedge fund manager in London, is also anticipating a sovereign debt crisis.)

[. . .] The major sovereign debt crises, he said, are probably a couple of years away. The key issue is that this time, the mounting financial troubles of the U.S., Germany and Japan mean these countries, once the rich uncles of the world, will no longer have the money to step in and rescue the more feckless nieces and nephews.

Rogoff predicted that, “We’re going to be raising taxes sky high,” and that, “we’re probably going to see a lot of inflation, eventually. We will have to. It’s the easiest way to reduce the value of those liabilities in real terms.” Rogoff stated, “The way rich countries default is through inflation.” Further, “even U.S. municipal bonds won’t be safe from trouble. California could be among those facing a default crisis.” Rogoff elaborated, “It wouldn’t surprise me to see the Federal Reserve buying California debt at some point, or some form of bailout.”[65]

The bailouts, particularly that of the United States, handed a blank check to the world’s largest banks. As another favour, the US government put those same banks in charge of ‘reform’ and ‘regulation’ of the banking industry. Naturally, no reform or regulation took place. Thus, the money given to banks by the government can be used in financial speculation. As the sovereign debt crisis unfolds and spreads around the globe, the major international banks will be able to create enormous wealth in speculation, rapidly pulling their money out of one nation in debt crisis, precipitating a collapse, and moving to another, until all the dominoes have fallen, and the banks stand larger, wealthier, and more powerful than any nation or institution on earth (assuming they already aren’t). This is why the bankers were so eager to undertake a financial coup of the United States, to ensure that no actual reform took place, that they could loot the nation of all it has, and profit off of its eventual collapse and the collapse of the global economy. The banks have been saved! Now everyone else must pay.

Edmund Conway, the Economics Editor of the *Telegraph*, reported in early January of 2010, that throughout the year:

[S]overeign credit will buckle under the strain of [government] deficits; the economic recovery will falter as the Government withdraws its fiscal stimulus measures and more companies will continue to fail. In other words, 2010 is unlikely to be the year of a V-shaped recovery.[66]

In other words, the 'recovery' is an illusion. In mid-January of 2010, the World Economic Forum released a report in which it warned that, "There is now more than a one-in-five chance of another asset price bubble implosion costing the world more than £1 trillion, and similar odds of a full-scale sovereign fiscal crisis." The report warned of a simultaneous second financial crisis coupled with a major fiscal crisis as countries default on their debts. The report "also warned of the possibility of China's economy overheating and, instead of helping support global economic growth, preventing a fully-fledged recovery from developing." Further:

The report, which in previous years had been among the first to cite the prospect of a financial crisis, the oil crisis that preceded it and the ongoing food crisis, included a list of growing risks threatening leading economies. Among the most likely, and potentially most costly, is a sovereign debt crisis, as some countries struggle to afford the unprecedented costs of the crisis clean-up, the report said, specifically naming the UK and the US.

[. . .] The report also highlights the risk of a further asset price collapse, which could derail the nascent economic recovery across the world, with particular concern surrounding China, which some fear may follow the footsteps Japan trod in the 1990s.[67]

Nouriel Roubini, one of America's top economists who predicted the financial crisis, wrote an article in *Forbes* in January of 2010 explaining that, "the severe recession, combined with a financial crisis during 2008-09, worsened the fiscal positions of developed countries due to stimulus spending, lower tax revenues and support to the financial sector." He warned that the debt burden of major economies, including the US, Japan and Britain, would likely increase. With this, investors will become wary of the sustainability of fiscal markets and will begin to withdraw from debt markets, long considered "safe havens." Further:

Most central banks will withdraw liquidity starting in 2010, but government financing needs will remain high thereafter. Monetization and increased debt issuances by governments in the developed world will raise inflation expectations.

As interest rates rise, which they will have to in a tightening of monetary policy, (which up until now have been kept artificially low so as to encourage the spread of liquidity around the world), interest payments on the debt will increase dramatically. Roubini warned:

The U.S. and Japan might be among the last to face investor aversion—the dollar is the global reserve currency and the U.S. has the deepest and most liquid debt markets, while Japan is a net creditor and largely finances its debt domestically. But investors will turn increasingly cautious even about these countries if the necessary fiscal reforms are delayed.[68]

Governments will thus need to drastically increase taxes and cut spending. Essentially, this will amount to a global "Structural Adjustment Program" (SAP) in the developed, industrialized nations of the West.

Where SAPs imposed upon 'Third World' debtor nations would provide a loan in return for the dismantling of the public state, higher taxes, growing unemployment, total privatization of state industries and deregulation of trade and investment, the loans provided by the IMF and World Bank would ultimately benefit Western multinational corporations and banks. This is what the Western world now faces: we bailed out the banks, and now we must pay for it, through massive unemployment, increased taxes, and the dismantling of the public sphere.

In February of 2010, Niall Ferguson, a prominent British economic historian, wrote an article for the *Financial Times* entitled, "A Greek Crisis Coming to America." He starts by explaining that, "It began in Athens. It is spreading to Lisbon and Madrid. But it would be a grave mistake to assume that the sovereign debt crisis that is unfolding will remain confined to the weaker eurozone economies." He explained that this is not a crisis confined to one region, "It is a fiscal crisis of the western world," and "Its ramifications are far more profound than most investors currently appreciate." Ferguson writes that, "the problem is essentially the same from Iceland to Ireland to Britain to the US. It just comes in widely differing sizes," and the US is no small risk:

For the world's biggest economy, the US, the day of reckoning still seems reassuringly remote. The worse things get in the eurozone, the more the US dollar rallies as nervous investors park their cash in the "safe haven" of American government debt. This effect may persist for some months, just as the dollar and Treasuries rallied in the depths of the banking panic in late 2008.

Yet even a casual look at the fiscal position of the federal government (not to mention the states) makes a nonsense of the phrase "safe haven". US government debt is a safe haven the way Pearl Harbor was a safe haven in 1941.

Ferguson points out that, "The long-run projections of the Congressional Budget Office suggest that the US will never again run a balanced budget. That's right, never." Ferguson explains that debt will hurt major economies:

By raising fears of default and/or currency depreciation ahead of actual inflation, they push up real interest rates. Higher real rates, in turn, act as drag on growth, especially when the private sector is also heavily indebted – as is the case in most western economies, not least the US.

Although the US household savings rate has risen since the Great Recession began, it has not risen enough to absorb a trillion dollars of net Treasury issuance a year. Only two things have thus far stood between the US and higher bond yields: purchases of Treasuries (and mortgage-backed securities, which many sellers essentially swapped for Treasuries) by the Federal Reserve and reserve accumulation by the Chinese monetary authorities.[69]

In late February of 2010, the warning signs were flashing red that interest rates were going to have to rise, taxes increase, and the burden of debt would need to be addressed.

China Begins to Dump US Treasuries

US Treasuries are US government debt that is issued by the US Treasury Department, which are bought by foreign governments as an investment. It is a show of faith in the US economy to buy their debt (i.e., Treasuries). In buying a US Treasury, you are lending money to the US government for a certain period of time.

However, as the United States has taken on excessive debt loads to save the banks from crisis, the prospect of buying US Treasuries has become less appealing, and the threat that they are an unsafe investment is ever-growing. In February of 2009, Hilary Clinton urged China to continue buying US Treasuries in order to finance Obama's stimulus package. As an article in *Bloomberg* pointed out:

The U.S. is the single largest buyer of the exports that drive growth in China, the world's third-largest economy. China in turn invests surplus earnings from shipments of goods such as toys, clothing and steel primarily in Treasury securities, making it the world's largest holder of U.S. government debt at the end of last year with $696.2 billion.[70]

The following month, the Chinese central bank announced that they would continue buying US Treasuries.[71]

However, in February of 2009, Warren Buffet, one of the world's richest individuals, warned against buying US Treasuries:

Buffett said that with the U.S. Federal Reserve and Treasury Department going "all in" to jump-start an economy shrinking at the fastest pace since 1982, "once-unthinkable dosages" of stimulus will likely spur an "onslaught" of inflation, an enemy of fixed-income investors.

"The investment world has gone from underpricing risk to overpricing it," Buffett wrote. "Cash is earning close to nothing and will surely find its purchasing power eroded over time."

"When the financial history of this decade is written, it will surely speak of the Internet bubble of the late 1990s and the housing bubble of the early 2000s," he went on. "But the U.S. Treasury bond bubble of late 2008 may be regarded as almost equally extraordinary."[72]

In September of 2009, an article on CNN reported of the dangers if China were to start dumping US Treasuries, which "could cause longer-term interest rates to shoot up since bond prices and yields move in opposite directions," as a weakening US currency could lead to inflation, which would in turn, reduce the value and worth of China's holdings in US Treasuries.[73]

It has become a waiting game; an economic catch-22: China holds US debt (Treasuries) which allows the US to spend to "save the economy" (or more accurately, the banks), but all the spending has plunged the US into such abysmal debt from which it will never be able to emerge. The result is that inflation will likely occur, with a possibility of hyperinflation, thus reducing the value of the US currency. China's economy is entirely dependent upon the US as a consumer economy, while the US is dependent upon China as a buyer and holder of US debt. Both countries are delaying the inevitable. If China doesn't want to hold worthless investments (US debt) it must stop buying US Treasuries, and then international faith in the US currency would begin to fall, forcing interest rates to rise, which could even precipitate a speculative assault against the US dollar. At the same time, a collapsing US currency and economy would not help China's economy, which would tumble with it. So, it has become a waiting game.

In February of 2010, the *Financial Times* reported that China had begun in December of 2009, the process of dumping US Treasuries, and thus falling behind Japan as the largest holder of US debt, selling approximately $38.8 billion of US Treasuries, as “Foreign demand for US Treasury bonds fell by a record amount”:

The fall in demand comes as countries retreat from the “flight to safety” strategy they embarked on at the peak of the global financial crisis and could mean the US will have to pay more in debt interest.

For China, the sale of US Treasuries marks a reversal that it signalled last year when it said it would begin to reduce some of its holdings. Any changes in its behaviour are politically sensitive because it is the biggest US trade partner and has helped to finance US deficits.

Alan Ruskin, a strategist at RBS Securities, said that China’s behaviour showed that it felt “saturated” with Treasury paper. The change of sentiment could hurt the dollar and the Treasury market as the US has to look to other countries for financing.[74]

So, China has given the US a vote of non-confidence. This is evident of the slippery-slide down the road to a collapse of the US economy, and possibly, the US dollar, itself.

Is a Debt Crisis Coming to America?

All the warning signs are there: America is in dire straights when it comes to its total debt, proper actions have not been taken to reform the monetary or financial systems, the same problems remain prevalent, and the bailout and stimulus packages have further exposed the United States to astronomical debt levels. While the dollar will likely continue to go up as confidence in the Eurozone economies tumbles, this is not because the dollar is a good investment, but because the dollar is simply a better investment (for now) than the Euro, which isn’t saying much.

The Chinese moves to begin dumping US Treasuries is a signal that the issue of American debt has already weighed in on the functions and movements of the global financial system. While the day of reckoning may be months if not years away, it is coming nonetheless.

On February 15, it was reported that the Federal Reserve, having pumped $2.2 trillion into the economy, “must start pulling that money back.” As the Fed reportedly bought roughly $2 trillion in bad assets, it is now debating “how and when to sell those assets.”[75] As the *Korea Times* reported, “The problem: Do it too quickly and the Fed might cut off or curtail the recovery. Wait too long and risk setting off a punishing round of inflation.”[76]

In mid-February, there were reports of dissent within the Federal Reserve System, as Thomas Hoenig, president of the Federal Reserve Bank of Kansas City, warned that, “The US must fix its growing debt problems or risk a new financial crisis.” He explained, “that rising debt was infringing on the central bank’s ability to fulfill its goals of maintaining price stability and long-term economic growth.” In January, he was the lone voice at a Fed meeting that said interest rates should not remain near zero for an “extended period.” He said the worst case scenario would be for the US government to have to again ask the Fed to print more money, and instead suggested that, “the administration must find ways to cut spending and generate revenue,” admitting that it would be a “painful and politically inconvenient” process.[77]

However, these reports are largely disingenuous, as it has placed focus on a superficial debt level. The United States, even prior to the onset of the economic crisis in 2007 and 2008, had long been a reckless spender. The cost of maintaining an empire is astronomical and beyond the actual means of any nation. Historically, the collapse of empires has as much or more to do with a collapse in their currency and fiscal system than their military defeat or collapse in war. Also important to note is that these processes are not mutually exclusive, but are, in fact, intricately interconnected.

As empires decline, the world order is increasingly marred in economic crises and international conflict. As the crisis in the economy worsens, international conflict and wars spread. As I have amply documented elsewhere, the United States, since the end of World War II, has been the global hegemon: maintaining the largest military force in the world, and not shying away from using it, as well as running the global monetary system. Since the 1970s, the US dollar has acted as a world reserve currency. Following the collapse of the USSR, the grand imperial strategy of America was to dominate Eurasia and control the world militarily and economically.

[See: Andrew Gavin Marshall, An Imperial Strategy for a New World Order: The Origins of World War III. Global Research: October 16, 2009]

Throughout the years of the Bush administration, the imperial strategy was given immense new life under the guise of the "war on terror." Under this banner, the United States declared war on the world and all who oppose its hegemony. All the while, the administration colluded with the big banks and the Federal Reserve to artificially maintain the economic system. In the latter years of the Bush administration, this illusion began to come tumbling down. Never before in history has such a large nation wages multiple major theatre wars around the world without the public at home being fiscally restrained in some manner, either through higher taxes or interest rates. In fact, it was quite the opposite. The trillion dollar wars plunged the United States deeper into debt.

By 2007, the year that Northern Rock collapsed in the UK, signaling the start of the collapse of 2008, the total debt – domestic, commercial and consumer debt – of the United States stood at a shocking $51 trillion.[78]

As if this debt burden was not enough, considering it would be impossible to ever pay back, the past two years has seen the most expansive and rapid debt expansion ever seen in world history – in the form of stimulus and bailout packages around the world. In July of 2009, it was reported that, "U.S. taxpayers may be on the hook for as much as $23.7 trillion to bolster the economy and bail out financial companies, said Neil Barofsky, special inspector general for the Treasury's Troubled Asset Relief Program."[79]

That is worth noting once again: the "bailout" bill implemented under Bush, and fully supported and sponsored by President-elect Obama, has possibly bailed out the financial sector of up to $23.7 trillion. How could this be? After all, the public was told that the "bailout" was $700 billion.

In fact, the fine print in the bailout bill revealed that $700 billion was not a ceiling, as in, $700 billion was not the maximum amount of money that could be injected into the banks; it was the maximum that could be injected into the financial system "at any one time." Thus, it became a "rolling amount." It essentially created a back-door loophole for the major global banks, both domestic and foreign, to plunder the nation and loot it entirely. There was no limit to the money banks could get from the Fed. And none of the actions would be subject to review or oversight by Congress or the Judiciary, i.e., the people.[80]

This is why, as Obama became President in late January of 2009, his administration fully implemented the financial coup over the United States. The man who had been responsible for orchestrating the bailout of AIG, the buyout of Bear Stearns as a gift for JP Morgan Chase, and had been elected to run the Federal Reserve Bank of New York by the major global banks in New York (chief among them, JP Morgan Chase), had suddenly become Treasury Secretary under Obama. The Fed, and thus, the banks were now put directly in charge of the looting.

Obama then took on a team of economic advisers that made any astute economic observer flinch in terror. The titans of economic crisis and catastrophe had become the fox in charge of the chicken coop. Those who were instrumental in creating and constructing the economic crises of the previous decades and building the instruments and infrastructure that led to the current crisis, were with Obama, brought in to "solve" the crisis they created. Paul Volcker, former Chairman of the Federal Reserve and architect of the 1980s debt crisis, was now a top economic adviser to Obama. As well as this, Lawrence Summers joined Obama's economic team, who had previously been instrumental in Bill Clinton's Treasury Department in dismantling all banking regulations and creating the market for speculation and derivatives which directly led to the current crisis.

In short, the financial oligarchy is in absolute control of the United States government. Concurrently, the military structure of the American empire has firmly established its grip over foreign policy, as America's wars are expanded into Pakistan, Yemen, and potentially Iran.

Make no mistake, a crisis is coming to America, it is only a question of when, and how severe.

Imperial Decline and the Rise of the New World Order

The decline of the American empire, an inevitable result of its half-century of exerting its political and economic hegemony around the world, is not an isolated event in the global political economy. The US declines concurrently with the rise of what is termed the "New World Order."

America has been used by powerful western banking and corporate interests as an engine of empire, expanding their influence across the globe. Banks have no armies, so they must control nations; banks have no products, so they must control industries; banks have only money, and interest earned on it. Thus, they must ensure that industry and governments alike borrow money en masse to the point where they are so indebted, they can never emerge. As a result, governments and industries become subservient to the banking interests. Banks achieved this masterful feat through the construction of the global central banking system.

Bankers took control first of Great Britain through the Bank of England, building up the massive might of the British Empire, and spread into the rest of Europe, creating central banks in the major European empires. In the 20th Century, the central bankers took control of the United States through the creation of the Federal Reserve in 1913, prior to the outbreak of World War I.

[See: Andrew Gavin Marshall, Global Power and Global Government: Evolution and Revolution of the Central Banking System. Global Research: July 21, 2009]

Following World War I, a restructuring of the world order was undertaken. In part, these actions paved the way to the Great Depression, which struck in 1929. The Great Depression was created as a result of the major banks engaging in speculation, which was actively encouraged and financed by the Federal Reserve and other major central banks.

As a result of the Great Depression, a new institution was formed, the Bank for International Settlements (BIS), based in Basle, Switzerland. As historian Carroll Quigley explained, the BIS was formed to "remedy the decline of London as the world's financial center by providing a mechanism by which a world with three chief financial centers in London, New York, and Paris could still operate as one." He explained:

[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 Basle, Switzerland, a private bank owned and controlled by the world's central banks which were themselves private corporations.[81]

The new order that is being constructed is not one in which there is another single global power, as many commentators suggest China may become, but rather that a multi-polar world order is constructed, in which the global political economy is restructured into a global governance structure: in short, the new world order is to be marked by the construction of a world government.

This is the context in which the solutions to the global economic crisis are being implemented. In April of 2009, the G20 set into motion the plans to form a global currency, which would presumably replace the US dollar as the world reserve currency. This new currency would either be operated through the IMF or the BIS, and would be a reserve currency whose value is determined as a basket of currencies (such as the dollar, yen, euro, etc), which would play off of one another, and whose value would be fixed to the global currency.

This process is being implemented, through long-term planning, simultaneously as we see the further emergence of regional currencies, as not only the Euro, but plans and discussions for other regional currencies are underway in North America, South America, the Gulf states, Africa and East Asia.

A 1988 article in the *Economist* foretold of a coming global currency by 2018, in which the author wrote that countries would have to give up monetary and economic sovereignty, however:

Several more big exchange-rate upsets, a few more stockmarket crashes and probably a slump or two will be needed before politicians are willing to face squarely up to that choice. This points to a muddled sequence of emergency followed by patch-up followed by emergency, stretching out far beyond 2018-except for two things. As time passes, the damage caused by currency instability is gradually going to mount; and the very trends that will make it mount are making the utopia of monetary union feasible.[82]

To create a global currency, and thus a global system of economic governance, the world would have to be plunged into economic and currency crises to force governments to take the necessary actions in moving towards a global currency.

From 1998 onwards, there have been several calls for the formation of a global central bank, and in the midst of the global economic crisis of 2008, renewed calls and actual actions and efforts undertaken by the G20 have sped up the development of a "global Fed" and world currency. A global central bank is being offered as a solution to prevent a future global economic crisis from occurring.

[See: Andrew Gavin Marshall, The Financial New World Order: Towards a Global Currency and World Government. Global Research: April 6, 2009]

In March of 2008, closely following the collapse of Bear Stearns, a major financial firm released a report stating that, "Financial firms face a 'new world order'," and that major banks would become much larger through mergers and acquisitions. There would be a new world order of banking consolidation.[83]

In November of 2008, *The National*, a prominent United Arab Emirate newspaper, reported on Baron David de Rothschild accompanying Prime Minister Gordon Brown on a visit to the Middle East, although not as a "part of the official party" accompanying Brown. Following an interview with the Baron, it was reported that, "Rothschild shares most people's view that there is a new world order. In his opinion, banks will deleverage and there will be a new form of global governance."[84]

In February of 2009, the *Times Online* reported that a "New world order in banking [is] necessary," and that, "It is increasingly evident that the world needs a new banking system and that it should not bear much resemblance to the one that has failed so spectacularly."[85] However, what the article fails to point out is that the 'new world order in banking' is to be constructed by the bankers.

This process is going hand-in-hand with the formation of a new world order in global political structures, following the economic trends. As regionalism was spurred by economic initiatives, such as regional trading blocs and currency groupings, the political structure of a regional government followed closely behind. Europe was the first to undertake this initiative, with the formation of a European trading bloc, which became an economic union and eventually a currency union, and which, as a result of the recently passed Lisbon Treaty, is being formally established into a political union.

[See: Andrew Gavin Marshall, Forging a "New World Order" Under a One World Government. Global Research: August 13, 2009]

The new world order consists of the formation of regional governance structures, which are themselves submissive to a global governance structure, both economically and politically.

'New Capitalism'

In the construction of a 'New World Order', the capitalist system is under intense reform. Capitalism has, since its inception, altered its nature and forms. In the midst of the current global economic crisis, the construction of the 'New Capitalism' is based upon the 'China model'; that is, 'Totalitarian Capitalism'.

Governments will no longer stand behind the 'public relations' – propagandized illusion of 'protecting the people'. When an economy collapses, the governments throw away their public obligations, and act for the interests of their private owners. Governments will come to the aid of the powerful banks and corporations, not the people, as "The bourgeoisie resorts to fascism less in response to disturbances in the street than in response to disturbances in their own economic system."[86] During a large economic crisis:

[The state] rescues business enterprises on the brink of bankruptcy, forcing the masses to foot the bill. Such enterprises are kept alive with subsidies, tax exemptions, orders for public works and armaments. In short, the state thrusts itself into the breach left by the vanishing private customers. [. . .] Such maneuvers are difficult under a democratic regime [because people still] have some means of defense [and are] still capable of setting some limit to the insatiable demands of the money power. [In] certain countries and under certain conditions, the bourgeoisie throws its traditional democracy overboard.[87]

Those who proclaim the actions of western governments 'socialist' are misled, as the 'solutions' are of a different nature. Daniel Guerin wrote in *Fascism and Big Business* about the nature of the fascist economies of Italy and Germany in the lead up to World War II. Guerin wrote of the actions of Italian and German governments to bail out big businesses and banks in an economic crisis:

It would be a mistake to interpret this state intervention as 'socialist' in character. It is brought about not in the interest of the community but in the exclusive interest of the capitalists.[88]

Fascist economic policy:

[I]ssues paper and ruins the national currency at the expense of all the people who live on fixed incomes from investments, savings, pensions, government salaries, etc., – and also the working class, whose wages remain stable or lag far behind the rise in the cost of living. [. . .] The enormous expenses of the fascist state do not appear in the official budget, [hiding the inflation].[89]

[. . .] The hidden inflation produces the same effects as open inflation: the purchasing power of money is lessened.[90]

The bureaucracy of the fascist state becomes much more powerful in directing the economy, and is advised by the 'capitalist magnates', who "become the economic high command – no longer concealed, as previously, but official – of the state. Permanent contact is established between them and the bureaucratic apparatus. They dictate, and the bureaucracy executes."[91] This is exactly the nature of the Treasury Department and Federal Reserve, most especially since the Obama administration took office.

In November of 2008, the National Intelligence Council (NIC) issued a report in collaboration between all sixteen US intelligence agencies and major international foundations and think tanks, in which they assessed and analyzed general trends in the world until 2025. When it reported on trends in 'democratization', discussing the spread and nature of democracy in the world, the report warned:

[A]dvances [in democracy] are likely to slow and globalization will subject many recently democratized countries to increasing social and economic pressures that could undermine liberal institutions. [. . .] The better economic performance of many authoritarian governments could sow doubts among some about democracy as the best form of government.

[. . .] Even in many well-established democracies [i.e., the West], surveys show growing frustration with the current workings of democratic government and questioning among elites over the ability of democratic governments to take the bold actions necessary to deal rapidly and effectively with the growing number of transnational challenges.[92]

The warning from Daniel Guerin is vital to understanding this trend: “The bourgeoisie resorts to fascism less in response to disturbances in the street than in response to disturbances in their own economic system.”[93] Totalitarianism is on the rise, as David Lyon wrote:

The ultimate feature of the totalitarian domination is the absence of exit, which can be achieved temporarily by closing borders, but permanently only by a truly global reach that would render the very notion of exit meaningless. This in itself justifies questions about the totalitarian potential of globalization. [. . .] Is abolition of borders intrinsically (morally) good, because they symbolize barriers that needlessly separate and exclude people, or are they potential lines of resistance, refuge and difference that may save us from the totalitarian abyss? [I]f globalization undermines the tested, state-based models of democracy, the world may be vulnerable to a global totalitarian etatization, [i.e., centralization and control].[94]

In 2007, the British Defense Ministry released a report in which they analyzed future trends in the world. It stated in regards to social problems, “The middle classes could become a revolutionary class, taking the role envisaged for the proletariat by Marx.” Interestingly:

The thesis is based on a growing gap between the middle classes and the super-rich on one hand and an urban under-class threatening social order: ‘The world’s middle classes might unite, using access to knowledge, resources and skills to shape transnational processes in their own class interest’. Marxism could also be revived, it says, because of global inequality. An increased trend towards moral relativism and pragmatic values will encourage people to seek the ‘sanctuary provided by more rigid belief systems, including religious orthodoxy and doctrinaire political ideologies, such as popularism and Marxism’.[95]

The general trend has thus become the reformation of the capitalist system into a system based upon the ‘China model’ of totalitarian capitalism. The capitalist class fear potential revolutionary sentiment among the middle and lower classes of the world. Obama was a well-packaged Wall Street product, sold to the American people and the people of the world on the promise of ‘Hope’ and ‘Change.’ Obama was put in place to pacify resistance.

Prior to Obama becoming President, the American people were becoming united in their opposition against not only the Bush administration, but Congress and the government in general. Both the president and Congress were equally hated; the people were uniting. Since Obama became President, the people have been turned against one another: ‘conservatives’ blame the ‘liberals’ and ‘socialists’ for all the problems, pointing fingers at Obama (who is nothing more than a figurehead), while those on the left point at the Republicans and ‘conservatives’ and Bush, placing all the blame on them. The right defends the Republicans; the left defends Obama. The people have been divided, arguably more so than at any time in recent history.

In dividing the people against each other, those in power have been able to quell resistance against them, and have continued to loot and plunder the nation and people, while using its military might to loot and plunder foreign nations and people. Obama is not to provide hope and change for the American people; his purpose was to provide the illusion of 'change' and provide 'hope' to the elites in preventing a purposeful and powerful opposition or rebellion among the people. Meanwhile, the government has been preparing for the potentiality of great social and civil unrest following a future collapse or crisis. Instead of coming to the aid of the people, the government is preparing to control and oppress the people.

Could Martial Law Come to America?

Processes undertaken in the American political establishment in previous decades, and rapidly accelerated under the Bush administration and carried on by the Obama administration, have set the course for the imposition of a military government in America. Readily armed with an oppressive state apparatus and backed by the heavy surveillance state apparatus, the 'Homeland Security' state is about controlling the population, not protecting them.

In January of 2006, KBR, a subsidiary of the then-Vice President Cheney's former corporation, Halliburton, received a contract from the Department of Homeland Security:

[T]o support the Department of Homeland Security's (DHS) U.S. Immigration and Customs Enforcement (ICE) facilities in the event of an emergency. [The contract] has a maximum total value of $385 million over a five-year term, consisting of a one-year based period and four one-year options, the competitively awarded contract will be executed by the U.S. Army Corps of Engineers, Fort Worth District. KBR held the previous ICE contract from 2000 through 2005.

[It further] provides for establishing temporary detention and processing capabilities to augment existing ICE Detention and Removal Operations (DRO) Program facilities in the event of an emergency influx of immigrants into the U.S., *or to support the rapid development of new programs*. [. . .] The contract may also provide migrant detention support to other U.S. Government organizations in the event of an immigration emergency, *as well as the development of a plan to react to a national emergency, such as a natural disaster.* [emphasis added][96]

Put simply, the contract is to develop a system of 'internment camps' inside the United States to be used in times of 'emergency'. Further, as Peter Dale Scott revealed in his book, *The Road to 9/11:*

On February 6, 2007, homeland security secretary Michael Chertoff announced that the fiscal year 2007 federal budget would allocate more than $400 million to add sixty-seven hundred additional detention beds (an increase of 32 percent over 2006). [This was] in partial fulfillment of an ambitious ten-year Homeland Security strategic plan, code-named Endgame, authorized in 2003, [designed to] remove all removable aliens [and] potential terrorists.[97]

As Scott previously wrote, "the contract evoked ominous memories of Oliver North's controversial Rex-84 'readiness exercise' in 1984. This called for the Federal Emergency Management Agency (FEMA) to round up and detain 400,000 imaginary 'refugees,' in the context of 'uncontrolled population movements' over the Mexican border into the United

States.” However, it was to be a cover for the rounding up of ‘subversives’ and ‘dissenters’. Daniel Ellsberg, who leaked the ‘Pentagon papers’ in 1971, stated that, “Almost certainly this [new contract] is preparation for a roundup after the next 9/11 for Mid-Easterners, Muslims and possibly dissenters.”[98]

In February of 2008, an article in the San Francisco Chronicle, co-authored by a former US Congressman, reported that, “Beginning in 1999, the government has entered into a series of single-bid contracts with Halliburton subsidiary Kellogg, Brown and Root (KBR) to build detention camps at undisclosed locations within the United States. The government has also contracted with several companies to build thousands of railcars, some reportedly equipped with shackles, ostensibly to transport detainees.”[99]

Further, in February of 2008, the *Vancouver Sun* reported that:

Canada and the U.S. have signed an agreement that paves the way for the militaries from either nation to send troops across each other’s borders during an emergency, but some are questioning why the Harper government has kept silent on the deal. [. . .] Neither the Canadian government nor the Canadian Forces announced the new agreement, which was signed Feb. 14 in Texas [but the] U.S. military’s Northern Command, however, publicized the agreement with a statement outlining how its top officer, Gen. Gene Renuart, and Canadian Lt.-Gen. Marc Dumais, head of Canada Command, signed the plan, which allows the military from one nation to support the armed forces of the other nation in a civil emergency.

[. . .] If U.S. forces were to come into Canada they would be under tactical control of the Canadian Forces but still under the command of the U.S. military.[100]

Commenting on the Military Commissions Act of 2006, Yale law and political science professor Bruce Ackerman wrote in the *Los Angeles Times* that the legislation “authorizes the president to seize American citizens as enemy combatants, even if they have never left the United States. And once thrown into military prison, they cannot expect a trial by their peers or any other of the normal protections of the Bill of Rights.” Further, it states that the legislation “grants the president enormous power over citizens and legal residents. They can be designated as enemy combatants if they have contributed money to a Middle Eastern charity, and they can be held indefinitely in a military prison.” Not only that, but, “ordinary Americans would be required to defend themselves before a military tribunal without the constitutional guarantees provided in criminal trials.” Startlingly, “Legal residents who aren’t citizens are treated even more harshly. The bill entirely cuts off their access to federal habeas corpus, leaving them at the mercy of the president’s suspicions.”[101]

Senator Patrick Leahey made a statement on February 2007 in which he discussed the John Warner Defense Authorization Act of 2007, saying:

Last year, Congress quietly made it easier for this President or any President to declare martial law. That’s right: In legislation added at the Administration’s request to last year’s massive Defense Authorization Bill, it has now become easier to bypass longtime posse comitatus restrictions that prevent the federal government’s use of the military, including a federalized National Guard, to perform domestic law enforcement duties.

He added that, “posse comitatus [is] the legal doctrine that bars the use of the military for law enforcement directed at the American people here at home.” The Bill is an amendment to the Insurrection Act, of which Leahey further commented:

When the Insurrection Act is invoked, the President can — without the consent of the respective governors — federalize the National Guard and use it, along with the entire military, to carry out law enforcement duties. [This] is a sweeping grant of authority to the President. [. . .] In addition to the cases of insurrection, the Act can now be invoked to restore public order after a terrorist attack, a natural disaster, a disease outbreak, or — and this is extremely broad — 'other condition'.[102]

On May 9, 2007, the White House issued a press release about the National Security Presidential Directive (NSPD) 51, also known as the "National Security and Homeland Security Presidential Directive." This directive:

[P]rescribes continuity requirements for all executive departments and agencies, and provides guidance for State, local, territorial, and tribal governments, and private sector organizations in order to ensure a comprehensive and integrated national continuity program that will enhance the credibility of our national security posture and enable a more rapid and effective response to and recovery from a national emergency.

The document defines "catastrophic emergency" as, "*any incident, regardless of location, that results in extraordinary levels of mass casualties, damage, or disruption severely affecting the U.S. population, infrastructure, environment, economy, or government functions*." It explains "Continuity of Government" (COG), as "a coordinated effort within the Federal Government's executive branch to ensure that National Essential Functions continue to be performed during a Catastrophic Emergency." [emphasis added]

The directive states that, "The President shall lead the activities of the Federal Government for ensuring constitutional government. In order to advise and assist the President in that function, the Assistant to the President for Homeland Security and Counterterrorism (APHS/CT) is hereby designated as the National Continuity Coordinator."[103]

Essentially, in time of a "catastrophic emergency", the President takes over total control of the executive, legislative and judicial branches of government in order to secure "continuity". In essence, the Presidency would become an "Executive Dictatorship".

In late September of 2008, in the midst of the financial crisis, the *Army Times*, an official media outlet of the Pentagon, reported that, "Helping 'people at home' may become a permanent part of the active Army," as the 3rd Infantry Division's 1st Brigade Combat Team, having spent years patrolling Iraq, are now "training for the same mission — with a twist — at home." Further:

They may be called upon to help with civil unrest and crowd control or to deal with potentially horrific scenarios such as massive poisoning and chaos in response to a chemical, biological, radiological, nuclear or high-yield explosive, or CBRNE, attack.[104]

None of the authorizations, bills, executive orders, or contracts related to the declaration of marital law and suspension of democracy in the event of an 'emergency' have been repealed by the Obama administration.

In fact, as the *New York Times* revealed in July 2009, the Obama administration has decidedly left in place the Bush administration decisions regarding the government response to a national emergency in 'Continuity of Government' (COG) plans in establishing a 'shadow government':

A shift in authority has given military officials at the White House a bigger operational role in creating a backup government if the nation's capital were "decapitated" by a terrorist attack or other calamity, according to current and former officials involved in the decision.

The move, which was made in the closing weeks of the administration of President George W. Bush, came after months of heated internal debate about the balance of power and the role of the military in a time of crisis, participants said. Officials said the Obama administration had left the plan essentially intact.

Under the revamped structure, the White House Military Office, which reports to the office of the White House chief of staff, has assumed a more central role in setting up a temporary "shadow government" in a crisis.

The Obama administration announced that their continuity plans were 'settled' and they "drew no distance between their own policies and those left behind by the Bush administration."[105] In July of 2009, it was also reported on moves by the Obama administration to implement a system of 'preventive detention'. With this, any semblance of democratic accountability and freedom have been utterly gutted and disemboweled; the Republic is officially dead:

['Preventive detention'] is to be a permanent, institutionalized detention scheme with the power vested in the President going forward to imprison people with no charges.

[. . .] Manifestly, this isn't about anything other than institutionalizing what has clearly emerged as the central premise of the Obama Justice System: picking and choosing what level of due process each individual accused Terrorist is accorded, to be determined exclusively by what process ensures that the state will always win. If they know they'll convict you in a real court proceeding, they'll give you one; if they think they might lose there, they'll put you in a military commission; if they're still not sure they will win, they'll just indefinitely imprison you without any charges.

[. . .] It's Kafkaesque show trials in their most perverse form: the outcome is pre-determined (guilty and imprisoned) and only the process changes. That's especially true since, even where a miscalculation causes someone to be tried but then acquitted, the power to detain them could still be asserted.[106]

Society, and with it, any remaining 'democracy' is being closed down. In this economic crisis, as Daniel Guerin warned decades ago, the financial oligarchy have chosen to 'throw democracy overboard', and have opted for the other option: totalitarian capitalism; fascism.

In Conclusion

The current crisis is not merely a failure of the US housing bubble, that is but a symptom of a much wider and far-reaching problem. The nations of the world are mired in exorbitant debt loads, as the sovereign debt crisis spreads across the globe, entire economies will crumble, and currencies will collapse while the banks consolidate and grow. The result will be to properly implement and construct the apparatus of a global government structure. A central facet of this is the formation of a global central bank and a global currency.

The people of the world have been lulled into a false sense of security and complacency, living under the illusion of an economic recovery. The fact remains: it is only an illusion, and eventually, it will come tumbling down. The people have been conned into handing their governments over to the banks, and the banks have been looting and pillaging the treasuries and wealth of nations, and all the while, and making the people pay for it.

There never was a story of more woe, than that of human kind, and their monied foe.

Truly, the people of the world do need a new world order, but not one determined and constructed by and for those who have created the past failed world orders. It must be a world order directed and determined by the people of the world, not the powerful. But to do this, the people must take back the power.

The way to achieving a stable economy is along the path of peace. War and economic crises play off of one another, and are systematically linked. Imperialism is the driver of this system, and behind it, the banking establishment as the financier.

Peace is the only way forward, in both political and economic realms. Peace is the pre-requisite for social sustainability and for a truly great civilization.

The people of the world must pursue and work for peace and justice on a global scale: economically, politically, socially, scientifically, artistically, and personally. It's asking a lot, but it's our only option. We need to have 'hope', a word often strewn around with little intent to the point where it has come to represent failed expectations. We need hope in ourselves, in our ability to throw off the shackles that bind us and in our diversity and creativity construct a new world that will benefit all.

No one knows what this world would look like, or how exactly to get there, least of all myself. What we do know is what it doesn't look like, and what road to steer clear of. The time has come to retake our rightful place as the commanders of our own lives. It must be freedom for all, or freedom for none. This is our world, and we have been given the gift of the human mind and critical thought, which no other living being can rightfully boast; what a shame it would be to waste it.

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