

“Sovereign Governments” Versus “The Lords of Finance”: Challenging the Bankers Who Operate the Global Casino

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The world has reached a new stage. If governments don't get together and face down the bankers who operate the global casino, the dominoes will start falling, one by one.

Sovereign governments must heed the lessons of past financial crises described by Liaquat Ahamed in *Lords of Finance* (2009); Nassim Taleb in *The Black Swan* (2008); Carmen Reinhart and Ken Rogoff in *This Time Is Different* (2009); Ellen Brown in *Web of Debt* (2008); Nomi Prins in *It Takes a Pillage* (2009); Gillian Tett in *Fool's Gold* (2009); and Yves Smith in *ECONNED* (2010).

Brooksley Born, who headed the US Commodities Futures Trading Commission (CFTC), warned the US Congress in 1998 that derivatives would blow up the financial system. She was attacked by Fed Chairman Alan Greenspan, Robert Rubin (then Treasury Secretary), his assistant Larry Summers (now Obama's chief economic advisor), and Senator Phil Gramm (who pushed through the Enron loophole for their ill-fated energy derivatives). Brooksley Born resigned and now serves on the U.S. Financial Crisis Inquiry Commission, set to report its findings by December 2010.

The fate of Greece is caught between the excesses of its previous government and its past Wall Street-friendly policies; the still dominant ideology of market fundamentalism; their bond-holders and market makers; Goldman Sachs and the still-obscure \$600 trillion derivatives market – betting on Greece's eventual default. We have reached the inflection point in the globalized financial casino and its mountains of odious, unrepayable debt. Religious, ethical and humanitarian views will soon be calling for another JUBILEE after the debt cancellations of HIPIC countries in 2000.

How will the new JUBILEE 2010 play out? Clearly, outstanding derivative positions at some \$600 trillion while global GDP is only \$63 trillion makes today's global debt levels unrepayable. Central bankers running their money printing presses cannot fill this gigantic hole. So who will lose, beyond taxpayers, so far stuck with the bills (\$23 trillion in the USA's bailouts alone)?

The world's citizens now see why governments have allowed themselves and their taxpayers to be trapped by the lords of finance. The bankers were their paymasters and funded their elections to office, bribed their officials, manipulated their regulators and public opinion. Through advertising and financing of mass-media, financial moguls and media moguls converged with political moguls worldwide into concentrated conglomerates (matching those in finance and industry): News Corp., Disney, NBC (owned by GE), Viacom,

Clear Channel, as well as Comcast, Verizon and ATT now seeking to dominate the internet. All this is textbook fascism.

To save sovereign governments from further co-option and corruption, these government “leaders” and their economic “wise men” must now rise to the occasion. Together, they must act to downsize and curb the rogue global casino. The G-20 Summit in Toronto, June 26-27, is their next opportunity to re-assert control on behalf of their citizens and the global public interest. Will leadership come from Europe, China, India, the USA or Brazil?

Firstly, the derivatives betting on defaults of countries and companies must be shut down, before the players push down Greece to win their bets. This will help curb the “bear raiders” waiting to collect their bets against the other EU countries – Portugal, Italy, Ireland, Spain and others. As George Soros says, such “bear raids” and bets are already in place and these credit-default swaps are “a license to kill.”

The USA, often still seen as a “safe haven,” is on equally rocky ground with its huge trade deficits and external debts to China, Japan and OPEC countries. Most states in the US are running unsustainable deficits, have huge backlogs of now risky bond debts, together with falling tax revenues due to high unemployment levels (nationally at 10% or 17% if all are counted), as well as crumbling bridges, levees and other obsolete infrastructure, needing over \$1 trillion to repair.

Only concerted action by the G-20 can arrest the takeover by the lords of finance. This will require a paradigm shift beyond economics and all its theories from left to right – toward a reintegration of knowledge and systems approaches that “connect all the dots.” We are now in a global, system-wide transition from the early, fossil-fueled Industrial Era to the emerging, green, information-rich economies I described in *The Politics of the Solar Age* (1981, 1988). Old industries in the fossilized sectors are still fighting rearguard actions along with their financiers – trying to preserve their over-valued stock prices and sunk costs.

The great transition is occurring worldwide as covered by the Green Transition Scoreboard™ compiled by Ethical Markets Media (US A, www.ethicalmarkets.com, and Brazil, www.mercadoetico.com.br). The world is quietly shifting away from Wall Street’s corrupted and debt-choked money circuits to new electronic trading platforms that use free exchange and new currencies. As I wrote in 1993, “Information: The World’s New Currency, Isn’t Scarce!” (www.hazelhenderson.com). The next info-currencies will be based on real assets and wealth such as KWH (kilowatt hours) as in the Planck Foundation’s Energy for Debt Plan for Iceland I described (IPS) and their Energy Transition Plan with Ethical Markets.

Estimated world trade conducted in barter remains at approximately 25% – but ignored in GDP-based only on money coefficients. Electronic trading is a new multi-trillion valued market opportunity for IT companies, following the paths of eBay, Craigslist, Freecycle, Global Giving, Greengrants, Microplace, Kiva, Zopa, Prosper and other micro-finance and philanthropy sites. Others bypassing Wall Street and the old “financial centers” include local, regional and private company trading platforms like Chicago-based ENTREX, and local currencies like the Schumacher Society’s “berkshares,” Time Banking, and mutual credit groups (see www.ethicalmarkets.tv Money Innovation).

To foster the transition from the monopoly of fiat money circuits (now just as bad as gold-based money) to 21st century electronic and local currencies, the G-20 needs to downsize

financial sectors. Wall Street and London's bloated financial sectors have little social purpose and produce nothing. High-frequency trading by computer programs now account for about 70% of Wall Street's daily trading. Proprietary trading and risk-taking must be separated from government-subsidized deposit-taking banks. The best way to accomplish this is for the G-20 to agree on a less than 1% financial transactions tax (FTT) across the board. There are no good arguments against the FTT (debated since its introduction by economist James Tobin in the 1970s and recommended by Larry Summers in his 1989 paper. FTT is easily collectible, using the computer program on all trading screens (Henderson and Kay, "A foreign exchange transaction reporting system (FXTRS) for Central Banks," Futures 1999). Money-laundering and tax haven operations in, for example, Switzerland, Liechtenstein, Caymen, the Bahamas, the US states of Delaware and Nevada, Guernsey, Jersey and London can continue to be "shamed" by black-listing in the Financial Authorities Task Force publications.

These initial actions: banning naked derivatives (where bettors don't own the bonds) and bringing those needed for actual users of oil, commodities, etc., onto transparent exchanges; enacting the FTT; and banning ratings agencies from selling ratings to issuers, will begin the transition process toward the new currencies and transparent electronic trading platforms. Also essential is to break up all too-big-to-fail banks, e.g., the six largest ones in the USA: Bank of America, Citigroup, Goldman Sachs, JP Morgan Chase, Morgan Stanley and Wells Fargo now control 63% of US GDP.

Only if G-20 leaders come together in Toronto and agree on these first steps, can they avoid the next financial crisis already looming. If they cannot summon the courage to shake off the grip of the lords of finance, they will have forfeited what public trust still remains.

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