

# The Financial System Is A Larger Threat Than Terrorism

By [Dr. Paul Craig Roberts](#)

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Region: [USA](#)

Theme: [Global Economy](#)

*In the 21st century Americans have been distracted by the hyper-expensive “war on terror.” Trillions of dollars have been added to the taxpayers’ burden and many billions of dollars in profits to the military/security complex in order to combat insignificant foreign “threats,” such as the Taliban, that remain undefeated after 15 years. All this time the financial system, working hand-in-hand with policymakers, has done more damage to Americans than terrorists could possibly inflict.*

The purpose of the Federal Reserve and US Treasury’s policy of zero interest rates is to support the prices of the over-leveraged and fraudulent financial instruments that unregulated financial systems always create. If inflation was properly measured, these zero rates would be negative rates, which means not only that retirees have no income from their retirement savings but also that saving is a losing proposition. Instead of earning interest on your savings, you pay interest that shrinks the real value of your saving.

Central banks, neoliberal economists, and the prostitute financial media advocate negative interest rates in order to force people to spend instead of save. The notion is that the economy’s poor economic performance is not due to the failure of economic policy but to people hoarding their money. The Federal Reserve and its coterie of economists and prostitutes maintain the fiction of too much savings despite the publication of the [Federal Reserve’s own report](#) that 52% of Americans cannot raise \$400 without selling personal possessions or borrowing the money.

Negative interest rates, which have been introduced in some countries such as Switzerland and threatened in other countries, have caused people to avoid the tax on bank deposits by withdrawing their savings from banks in large denomination bills. In Switzerland, for example, demand for the 1,000 franc bill (about \$1,000) has increased sharply. These large denomination bills now account for 60% of the Swiss currency in circulation.

The response of depositors to negative interest rates has resulted in neoliberal economists, such as Larry Summers, calling for the elimination of large denomination bank notes in order to make it difficult for people to keep their cash balances outside of banks.

Other neoliberal economists, such as Kenneth Rogoff want to eliminate cash altogether and have only electronic money. Electronic money cannot be removed from bank deposits except by spending it. With electronic money as the only money, financial institutions can use negative interest rates in order to steal the savings of their depositors.

People would attempt to resort to gold, silver, and forms of private money, but other

methods of payment and saving would be banned, and government would conduct sting operations in order to suppress evasions of electronic money with stiff penalties.

What this picture shows is that government, economists, and prostitutes are allied against citizens achieving any financial independence from personal saving. Policymakers have a crackpot economic policy and those with control over your life value their scheme more than they value your welfare.

This is the fate of people in the so-called democracies. Any remaining control that they have over their lives is being taken away. Governments serve a few powerful interest groups whose agendas result in the destruction of the host economies. The offshoring of middle class jobs transfers income and wealth from the middle class to the executives and owners of the corporation, but it also kills the domestic consumer market for the offshored goods and services. As Michael Hudson writes, it kills the host. The financialization of the economy also kills the host and the owners of corporations as well. When corporate executives borrow from banks in order to boost share prices and their performance bonuses by buying back the publicly held stock of the corporations, future profits are converted into interest payments to banks. The future income streams of the corporations are financialized. If the future income streams fail, the companies can be foreclosed, like homeowners, and the banks become the owners of the corporations.

Between the offshoring of jobs and the conversion of more and more income streams into payments to banks, less and less is available to be spent on goods and services. Thus, the economy fails to grow and falls into long-term decline. Today many Americans can only pay the minimum payment on their credit card balance. The result is massive growth in a balance that

can never be paid off. It is these people who are the least able to service debt who are hit with draconian charges. The way the credit card companies have it now, if you make one late payment or your payment is returned by your bank, you are hit for the next six months with a Penalty Annual Percentage Rate of 29.49%.

In Europe entire countries are being foreclosed. Greece and Portugal have been forced into liquidation of national assets and the social security systems. So many women have been forced into poverty and prostitution that the hourly price of a prostitute has been driven down to \$4.12.

Throughout the Western world the financial system has become an exploiter of the people and a deadweight loss on economies. There are only two possible solutions. One is to break the large banks up into smaller and local entities such as existed prior to the concentration that deregulation fostered. The other is to nationalize them and operate them solely in the interest of the general welfare of the population.

The banks are too powerful currently for either solution to occur. But the greed, fraud, and self-serving behavior of Western financial systems, aided and abetted by governments, could be leading to such a breakdown of economic life that the idea of a private financial system will become as abhorrent in the future as Nazism is today.

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