

# Don Giovanni Nabbed in New York: Go for Glass-Steagall Now!

by Helga Zepp-LaRouche

*This article was first published in the German weekly **Neue Solidarität** and has been translated from German.*

Wiesbaden, May 21—While Don Giovanni in Mozart’s opera goes to Hell as punishment for his sexual escapades, Dominique Strauss-Kahn is expected only to go to prison for many years. But his character and the situation in which he is playing a starring role are such stuff as great historical dramas are written about. One of the most powerful men in the world at one moment, reveling in luxury—IMF director and likely next President of France—and the next thing you know he’s in Rikers Island Prison, one of New York’s worst, with rapists, thieves, and murderers, discredited for the rest of his life.

While Strauss-Kahn (DSK) was pursuing one of his favorite activities, an existential power struggle raged behind the scenes. There is an unbridgeable gap between the faction of those in the international financial system who are fiercely determined to keep the bankrupt banking system alive with more and more bailout packages and wonderful liquidity increases, and those who rightly fear that a further round of bailout packages will catapult the transatlantic world into uncontrollable hyperinflation. DSK was a key player in the first faction—along with Fed chair Ben Bernanke, Treasury Secretary Tim Geithner, and President Obama—and now, he is out of the game.

The Air France plane from which New York police hauled Strauss-Kahn on May 14 was about to take off for Berlin, where the IMF director wanted to talk with German Chancellor Angela Merkel about the dramatic situation in Greece and the Eurozone as a whole.

## Bankers ‘Just Have To Lie’

One day later, Spiegel Online put out the story about an alleged secret meeting of some of the key EU finance

ministers in Luxembourg, to discuss the possible withdrawal of Greece from the Eurozone—which Luxembourg Prime Minister Jean-Claude Juncker immediately denied. But when film footage proved that the meeting had indeed occurred, Juncker opined that when things get serious, one always has to lie. Since then he has been known as Herr Flunker-Juncker.<sup>1</sup> At this meeting and that of the EU finance ministers the following week, the disputes over policy toward Greece and the other problem states were so intense, that differences of opinion could no longer be swept under the rug as usual.

But now there was the problem of the empty chair on which Strauss-Kahn was supposed to be sitting. The IMF director’s sexual delinquency could well prove to be “the horseshoe nail for the want of which the kingdom was lost.” Because suddenly, in this extremely tense situation, all the consequences of his “indiscretion” started to unfold. The financial media began to lament Strauss-Kahn’s exceptionally important role in the negotiations with Greece, since he had at least ensured that the IMF, including with funds from the U.S., Russia, and the emerging countries, put up substantial sums to rescue European banks. Herman Van Rompuy, the “EU President,” complained that “we are feeling the lack of leadership in solving the Greek crisis,” and that it is urgent to find a successor for Strauss-Kahn.

Meanwhile, the team from the troika of the IMF, the European Central Bank (ECB), and the EU Commission, which was in Greece to review the government’s progress in implementing the prescribed brutal austerity measures, announced that further payments to Greece would be frozen until the government adopts further austerity programs, notably, additional sales of state property such as telecommunications,

1. The German word *flunkern* means “to fib”—ed.



IMF/Stephen Jaffe

*The disgraced former boss of the International Monetary Fund, Dominique Strauss-Kahn (right), was a key player in a faction that included Treasury Secretary Geithner (left), and Fed chairman Bernanke. The latter two members of the troika may soon join Strauss-Kahn in prison.*

railroads, highways, airports, real estate, islands, etc., which the Greek population rightly feels to be further rape, and which Strauss-Kahn had previously worked hard on.

The Greek bailout operation is therefore on hold, just as the Irish one is, by the way, according to the European Financial Stability Facility Fund, because of Ireland's refusal to accept the exorbitant credit terms that are being demanded. In other words, the whole rescue mechanism has stalled, and thus the entire speculative credit derivatives market is facing a chain-reaction collapse.

Until recently, ECB president Jean-Claude Trichet, Flunker-Juncker, and Co. swore that they would never, ever agree to a "haircut"—i.e., for the creditors to take some of the losses; but now Flunker-Juncker has indicated, however meekly, that maybe there could be a "soft" restructuring, a simple extension of repayment

terms without any write-off of the debt. The rating agencies immediately rejected this wholesale, since for them, extension of the terms would mean the same thing as insolvency. The reason for this is the derivatives bubble, which would burst at the slightest interruption of the supply of liquidity.

The European Central Bank, representing the hard line, then threatened that if Greece changed its payment terms, the ECB would no longer accept Greek government bonds (which are already virtually worthless) as collateral for new loans. This was universally understood as the roar of a paper tiger, because insolvency of the Greek banking sector would very likely have the consequences that ECB chief economist Jürgen Stark had repeatedly warned about: the meltdown of the entire financial system. The ECB is thus threatening to take a step that would let the euro system fall apart. In other words, the Eurozone is facing disintegration.

Meanwhile, China, Mexico, and Brazil have laid claim to the succession of Strauss-Kahn as head of the IMF, and of course representatives of the emerging countries could not be expected to be as concerned about the cohesion of the Eurozone as was Strauss-Kahn. Furthermore, an interim solution—whereby a

European would be IMF director for 18 months, followed by a representative of the developing sector—would do nothing to change the dismal state of the Eurozone and the dollar, for which cooperation between Bernanke, Geithner, and Strauss-Kahn was the last lifeline.

### Some Signs of Sanity

The fact that there are influential circles in the United States who are determined to end the hyperinflationary casino economy, has become visible not only in the intervention of the New York judicial system against Strauss-Kahn. New York Attorney General Eric Schneiderman has also begun an investigation of five major Wall Street banks for fraudulent activities in connection with the mortgage-backed-securities market (MBS).

Goldman Sachs, Morgan Stanley, Bank of America,

and other banks are being investigated under New York State's Martin Act of 1921, for possible criminal activities, about which both the Angelides and Levin reports provided extensive information.<sup>2</sup> These two Congressional committees have thus acquired the nerve that characterized the Pecora Commission in President Franklin Roosevelt's time, and looking at the multiple and overlapping criminal activities of a large portion of Wall Street companies, well-documented in the Angelides and Levin reports, Strauss-Kahn can look forward to company in jail.

### The Nemesis Principle

But the plight of Strauss-Kahn demonstrates something else: that the principle of Nemesis, as portrayed

2. On the report of the Federal Financial Crisis Inquiry Commission (FCIC), headed by Philip Angelides, see Nancy Spannaus, "The Angelides Report Tells the Truth: LaRouche Was Right! Glass-Steagall Now!" *EIR*, Feb. 11, 2011; on the report of the Senate Permanent Subcommittee on Investigations, "Wall Street and the Financial Crisis," see Paul Gallagher, "Levin Report for Bank Prosecutions: Senate Probe Proves Need for Glass-Steagall, Obama Exit," *EIR*, April 29, 2011.

in Classical art since ancient Greece, remains today an effective force of natural law, which strikes back at villains if they violate the law over a long period. The name Strauss-Kahn stands not only for the decadence of a man who was obviously convinced that there were no limits to his mysogynistic intrigues, and who made not only individual women his victims; his name also stands for the decadence of a system that, with the infamous IMF conditionalities, has degraded entire nations and continents into objects of unconditional greed. His attitude toward the maid in his hotel room has become synonymous with his contempt for humanity.

Discredited along with Strauss-Kahn are Bernanke, Geithner, Obama, Trichet, and all those who want to stick to the hyperinflationary policies of the rescue packages. That there is recognition of this in Germany, was demonstrated at a special hearing last year before the Finance Committee of the Bundestag [parliament], Jochen Sanio, the head of the credit regulating agency BaFin, opposed another rescue package for insolvent Eurozone countries. When asked for the reasons, he replied, "The taxpayers would come and hang us all!"


In no time, the failure of the euro and the dollar will be so obvious that reintroduction of the Glass-Steagall standard—that is, a two-tier banking system in which commercial banking is separated from speculative investment banking—will be the only acceptable alternative. With the reintroduction of sovereign national currencies in Europe in connection with a two-tier banking system, the commercial banks will be able to resume lending to industry, agriculture, and trade, as well as for well-defined development and construction projects, making it possible to overcome the current crisis very soon.

The two-tier banking system must now be on the agenda: a system in which the investment banks, lacking taxpayer bailouts, will have to put their books in order themselves, which means in practice that many trillions in toxic waste will have to be written off.

And Strauss-Kahn? Maybe some kind soul should send him a good recording of Mozart's *Don Giovanni*, so that he can study in peace how Leporello's "Catalog Aria" is soon followed by the appearance of the statue of the Commendatore, who will take him to the Hell he so richly deserves. In contrast, the New York Attorney General's procedure is downright merciful.

Lyndon  
LaRouche  
ON  
Glass-Steagall  
AND  
NAWAPA:

The North American Water and Power Alliance



"The greatest project that mankind has ever undertaken on this planet, as an economic project, now stands before us, as the opportunity which can be set into motion by the United States now launching the NAWAPA\* project, with the preliminary step of reorganizing the banking system through Glass-Steagall, and then moving on from there."

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