

Stop the Threat of Hyperinflation With a Glass-Steagall System

by Helga Zepp-LaRouche

This article was translated from German.

Wiesbaden, July 16—The United States is potentially just days away from state bankruptcy, while the Eurozone faces disintegration: The financial system of the transatlantic sector is hopelessly bankrupt! Federal Reserve Chairman Ben Bernanke, at the recent hearing of the House Financial Services Committee, intimated that since the U.S. has reached its allowable debt limit—and so far Obama and the Republicans have not been able to agree on the issue of raising taxes—he may turn on the money spigots again, i.e., launch the so-called Phase 3 of “quantitative easing” (QE3). Along with the attempt by the EU Commission and the European Central Bank (ECB) to transform the EU completely into a transfer union,¹ this would be the very last phase of the collapse: the hyperinflationary explosion which would trigger a chain-reaction of effects on the economy, politics, and the social sector. Runaway hyperinflation is—as we know from Germany’s experience in 1923—the most brutal form of expropriation of the so-called “little people.”

Lyndon LaRouche immediately responded to Bernanke’s QE3 hint by issuing a video interview, entitled “[QE3 and the Fate of Mankind](#),” which is now being widely circulated in political circles in the U.S. and internationally. Hyperinflation is already the buzzword that is making the rounds everywhere now. At the recent hearing of the Senate Banking Committee, several Senators expressed their clear opposition to Bernanke’s policy. The *China Daily* warned that the Fed’s policy would increase global risks and the inflationary pressure on developing countries. According to recent polls, 86% of Germans think the euro is in

danger of inflation, and the entire European elite knows that hyperinflation is the last political resort of the Fed and ECB, and that this means the cold-blooded looting of the population. Only the stock exchanges closed in a “friendly” mood following Bernanke’s comments; the gamblers could once again, for a brief moment, indulge in the illusion that the roulette wheel could keep on spinning forever, and that the redistribution from the poor to the rich would continue without end.

The Squeeze on Europe

During the same period, some hedge funds in New York arranged to use the occasion of the public tensions between Italian Prime Minister Silvio Berlusconi and his finance minister, Giulio Tremonti, as a pretext to launch a speculative attack on Italian government bonds and equities. Tremonti, who has long been a thorn in the side of the international financial oligarchy, had received, according to his own statements, a demand “in English” to make huge cuts in the budget. He retaliated immediately, stating: “If I fall, the government falls; if Italy falls, the euro falls.” And clearly addressing the German government (Chancellor Merkel had previously demanded that Berlusconi impose harsher austerity), Tremonti added: “It’s like on the *Titanic*, where even the first-class passengers could not save themselves.”

Among the outrageous things that characterize this final phase of the collapse of the global financial system, is the fact that in the ensuing days, both chambers of the Italian Parliament passed—without any debate!—budget cuts of EU60 billion, which means a huge assault on the living standards of the population and for many people, even a reduction of their lifespan.

The rating agencies’ simultaneous downgrading of

1. The term means that the debt of one or more EU members is illegally transferred to one or more others.



Bernanke testifies before the House Budget Committee in February. His latest intimation that he may reopen the money spigots, has made “hyperinflation” a buzzword in Europe.

Greece, Portugal, and Ireland to de facto or actual junk status, further underlines that no matter how much the respective governments turn themselves into enforcers for the financial oligarchy and impose draconian austerity programs on their populations, this does nothing to stop the disintegration of the Eurozone. The states that have swallowed the bitter medicine of the Troika—the IMF, ECB, and EU Commission—and have “saved themselves to death,” are more bankrupt than ever before as a result. And their populations are poorer, more desperate, and, under the current EU regime, have no hope for the future. In Greece, Spain, and Portugal, youth unemployment stands at 40%; in Italy, over 30%! These young people have no chance of making it in the euro system!

By exploiting this ever-worsening crisis, in which new speculative attacks are to be expected, including on Spanish and Italian government bonds, as well as possible runs on banks after the recent “stress test,” the EU bureaucracy evidently intended to use a virtual surprise attack to push through the political and economic Union of the EU. EU Council President Herman Van Rompuy scheduled a crisis summit for this week, to wrest agreement from Germany that the European Financial Stability Facility will be allowed, among other things, to buy (problematic) state bonds on the open market. This would be another step toward a transfer union, with the German taxpayer as the cash cow.

The Common Good or the Market

The glaring problem is that the German government coalition (like the Social Democratic-Green government coalition before it), is either unable or unwilling to oppose the criminal activities of the financial oligarchy and speculators, to defend the common good, as they actually had pledged to do in their oaths of office. At the hearing before the Constitutional Court in Karlsruhe on the complaints against the bailout policy brought by five professors and parliamentarian Peter Gauweiler, Finance Minister Schäuble repeatedly invoked “the nervous markets,” which closely observed this hearing, and claimed to have acted in an “emergency situation,” etc., etc.

It is beyond scandalous that in Germany, in the spirit of Nazi crown jurist Carl Schmitt, the argument is being made—of course, without mentioning his name—that real political power derives from the state of emergency, and it is only this that provides the government with authority to act with impunity. And it is equally outrageous that these politicians have obviously not done their homework. Thus, the parliamentary caucuses in the Bundestag have only recently, more than half a year after the publication of the Angelides Report in the United States, discovered the problem of so-called shadow banking.

After the ineffective approach of Basel III (higher capital contributions from the banks for alleged risk insurance) was pushed through the EU, in order to neutralize the ferment that was finally also emerging in Europe for a two-tier banking system, the banks resorted to a simple trick. They simply shifted their high-risk transactions to those “affiliates” that had already played the key role in the crises of 2007 and 2008—external special purpose entities, money market funds, hedge funds, and holding companies. Since these facilities are not classified as banks, they are not subject to the rules of regulatory authorities, and so they can blithely keep right on gambling. In the U.S. alone, the outstanding contracts of these shadow banks are now, at more than \$15 trillion, as large as the total debt of the United States. A similar situation exists in Europe.

The political establishment has failed in every respect, with the totally bloated EU bureaucracy, elected by no one, leading the way. The EU construct, from the Maastricht Treaty to the Lisbon Treaty, including the

creation of the euro, is a failed model. Germany and other European nations have every right in the world to withdraw from this monster and to regain their sovereignty over their own economic policy and their currency.

There must be an end, once and for all, to the system of monetarist mega-speculation, which is nothing but robbery of the people's worldly goods, of their life's work, and often even of their lives. If the taxpayers have to pay for this—and not only they, but also those layers of society who pay no taxes, yet suffer much more from the cuts in social services—it just means that the rich are getting richer, then this is a crime against humanity.

Act Now!

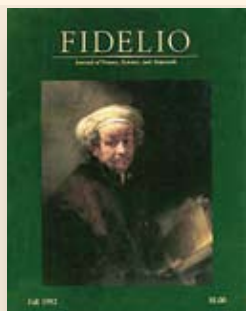
Given the impending danger of an uncontrolled chain reaction collapse and devastating hyperinflation, Germany must immediately leave the EU. We must introduce a new D-mark and, on the basis of a two-tier banking system, create a credit system that provides the real economy with the credit needed for productive investments. Any other country that does the same thing, whether Greece, Portugal, Spain, or Italy, will experi-

ence an economic recovery within a very short time, which is impossible under the collapsing euro system.

There is no basis for the fear of many people that, in addition to the speculative gains from gambling, many legitimate claims will also be wiped out, such as pensions, savings, or life insurance policies. Areas of any unclarity, such as where pension funds, for example, have been tied up in speculative investments, are frozen pending state examination. All areas of the common good are “marked,” and this will also be so in the new two-tier banking system.

But if it comes to hyperinflation—and it will, if we stick with the policy of the Fed and the Troika—then all legitimate claims will soon only be wastepaper, like the Reichsmark notes of our grandparents and great-grandparents, with which they later papered their walls.

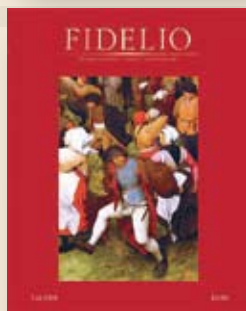
In the U.S., a movement for the Glass-Steagall Act is growing on a bipartisan basis in both the House of Representatives and the Senate, as well as in many state legislatures, city councils, and trade unions. Here too, there is only one crucial issue that must be on the agenda: the two-tier banking system!



FIDELIO

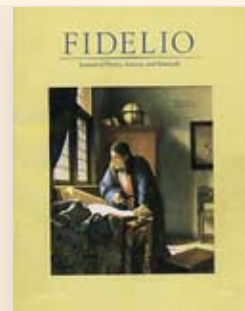
Journal of Poetry, Science, and Statecraft

From the first issue, dated Winter 1992, featuring Lyndon LaRouche on “The Science of Music: The Solution to Plato’s Paradox of ‘The One and the Many,’” to the final issue of Spring/Summer 2006, a “Symposium on Edgar Allan Poe and the Spirit of the American Revolution,” *Fidelio* magazine gave voice to the Schiller Institute’s intention to create a new Golden Renaissance.



The title of the magazine, is taken from Beethoven’s great opera, which celebrates the struggle for political freedom over tyranny. *Fidelio* was founded at the time that LaRouche and several of his close associates were unjustly imprisoned, as was the opera’s Florestan, whose character was based on the American Revolutionary hero, the French General, Marquis de Lafayette.

Each issue of *Fidelio*, throughout its 14-year lifespan, remained faithful to its initial commitment, and offered original writings by LaRouche and his associates, on matters of, what the poet Percy Byssche Shelley identified as, “profound and impassioned conceptions respecting man and nature.”



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<http://www.schillerinstitute.org/about/orderform.html>