TOP FINANCIERS ADMIT

Market Is 'Horrific Cancer' That Will Destroy Us

by Nancy Spannaus

May 20—"A record-breaking stock market is distorting a frightening reality: The U.S. is being eaten alive by a horrific cancer that will ultimately destroy the market and impoverish the vast majority of its citizens."

Sound familiar? Lyndon LaRouche and *EIR* have been identifying the speculative bubble in derivatives and other flim-flam as a cancer on the real physical economy, since the 1990s. But this time, the truthful characterization of what the current monetarist system—and not just in the United States—represents, comes from Peter Schiff, the CEO of Euro Pacific Capital, who is a regular commentator on the Fox Business network. He made this statement in April.

Nor is Schiff—who openly seeks to profit from this condition, not replace it—alone. He has been weakly echoed by a group of top bankers, including former World Bank chief Robert Zoellick, former Spanish Finance Minister Elena Salgado, and president of the Peterson International Institute of Economics Adam Posen, who held three days of discussions about the global economy and financial markets during the second week of May. Mohamed El-Erian, CEO of the world's largest bond fund, PIMCO, summarized the conclusion of those discussions in the company's May 14 Secular Outlook report, which attributed the so-called economic growth to "hyperactive central banks," and projected "financial turmoil, greater social tensions and beggar-thy-neighbor national policies," over the next 3-5 years. Europe, the report said, is already in a state of "zombification."

El-Erian's co-CEO Bill Gross, PIMCO's founder and bond manager, was even more dramatic in the firm's February newsletter, when he described the markets as headed for blowout like a "credit supernova," a dying star.

What's clear from these statements is that the "insiders" know precisely how deadly the market game is that they are playing, but that *they have absolutely no intention of junking the monetarist system.* Indeed, the genocide which Schiff cites as the fate of the American population is already well underway in Southern Europe, and plans are in process for mass stealing from bank accounts (the so-called "bail-ins") as the next stage of propping up the bankrupt banks.

The *only* alternative is a new world economic order based on nations controlling their own currencies and economies, and dumping the money economy for physical economic progress.

Correct Diagnosis

Schiff's analysis of the danger of the current hyperinflation, and the starvation of the physical economy, is worth paying attention to. This is worse than 2007-08, he says. "You're going to have a collapse in the dollar, . . . a huge spike in interest rates, . . . and our whole economy, which is built on the foundation of cheap money, is going to topple when you pull the rug out from under it." Despite "phony" signs of an economic recovery, he said, it's all paper: "Currently, Bernanke and Company is buying $1 trillion of Treasury and mortgage bonds a year. That's about $85 billion per month against a budget deficit that is about the same level.

"Eventually interest rates will rise . . . and when they do, stocks will tank and bonds dip to nothing. Massive new tax hikes will be imposed and programs and entitlements will be cut to the bone.

"The crisis is imminent," Schiff said. "I don't think Obama is going to finish his second term without the bottom dropping out. And stock market investors are oblivious to the problems. . . . It's not that the stock market is gaining value, . . . it's that our money is losing value. And so if you have a debased currency, . . . a devalued currency, the price of everything goes up. Stocks are no exception."

"The Fed knows that the U.S. economy is not recovering," he noted. "It simply is being kept from collapse by artificially low interest rates and quantitative easing. As that support goes, the economy will implode."

To any sane person, of course, the *financial recovery* reflected in the spike in the stock market, the renewed increase in housing prices, and the record corporate profits should signal trouble. When they are contrasted with the decline in the conditions of life for the population, as seen in joblessness, homelessness, food insecurity, and collapsing infrastructure, this financial "good news" should actually discredit the whole idea of a money-based economy. To mimic Samuel Coleridge, it's "money, money everywhere, and not a drop for the real economy."

Yet, all too many individuals in the United States, in particular, mimic the major traders by seeking the money—rather than fighting for the change in the system that alone can bring prosperity for themselves and future generations.

Look at Southern Europe

The future for the U.S., and those parts of Western Europe still nominally solvent, can be seen in the dramatic conditions in Southern Europe, where Greece, Cyprus, Portugal, and Spain are being raped by the international financial institutions, including the European Union. On the one side, the people are having their financial savings looted—as was carried out in the Cyprus "bail-in" plan, where savings and deposits above EU100,000 were simply taken, in order to shore up and keep functioning otherwise bankrupt financial institutions.

This bail-in plan, by the way, is *policy* on the OECD level, including through the Dodd-Frank financial legislation pushed through by the Obama Administration.

As in the U.S., the rescue of the banks has not resulted in any investment in the real economy, of course, but simply provides money to feed speculation. This is obvious in the collapse of the labor market and production throughout Europe. GDP dropped over 5% in Italy over the past year, and is falling at even more rapid rates in Greece and Cyprus.

The other side of the assault is coming with mandated budget cuts in the public sector, imposed by the IMF, European Central Bank, and European Commission (the Troika). Exemplary of their murderous quality is their targetting of health-care spending. We'll look at Portugal and Cyprus.

The head of the Portuguese Medical Association, Dr. José Manuel Silva, raised the alarm in early May that the repeated cuts in the budget for Portugal's National Health System are now beginning to threaten lives.

In several interviews, Dr. Silva warned that the National Health Service's financial difficulties "are beginning to reach alarming proportions, giving rise to failures in the most delicate and sensitive circumstances, which could make the difference between life and death." After visiting the Espírito Santo Hospital in the city of Évora on May 6, Silva warned that there are no doctors assigned to the hospital's emergency ambulance service 40-50% of the time, leaving the residents of that district without any qualified pre-hospital medical emergency service. "The ones who suffer are the patients," a situation which is "inhuman and intolerable." He asked if the Ministry of Health will assume responsibility for the death of any citizen who dies for these reasons.

In Cyprus, the Troika has issued orders for additional cuts, beginning with the government's cancelling long-delayed plans for setting up new regional ambulance stations. This means that the 49 newly trained paramedics who were to man the new ambulance stations earmarked for four areas, will not be hired—these stations will not be built.

The cut follows the recent freeze in funding for oncology radiotherapy centers, condemning cancer patients to death. Chairman of the House Health Committee Costas Constantinou, a member of the ruling DISY party, said all the committee members agree that the cuts will endanger people's lives.