Bankrupt credit system at new turning point?

by Chris White

The collapse of the $140 billion a year forward market in the benchmark grade of North Sea Oil, Brent crude, brings the bankrupt world financial system to a new turning point. The market's collapse, on the 12th of February, was kept secret, apart from rumblings about trouble ahead for oil traders, for nearly a week, and at our deadline, still has not been reported fully in the so-called authoritative U.S. financial press, like the *Wall Street Journal*.

The market's collapse is the result of the relentless Saudi Arabian-led campaign to break the financial power of the City of London and Switzerland-led usurious finance houses which control world commodity trade and investment flows, and is a contemporary proof of the old adage that under depression conditions of deflationary collapse, it is not the nominal book value of paper assets that is primary and determining, but rather control of physical commodities and physical production.

The collapse of the speculative Brent forward market, a system of hot telephone lines, linking London and Geneva with New York and Houston, buying and selling each barrel of oil pumped, up to a hundred times before that oil is delivered to refineries, calls the question of the necessary reorganization of the world financial system, even now before catastrophe hits. For the chain reaction effects of that collapse, radiating outwards over the next weeks, gathering strength as contracts for March delivery come due, will feed into and reinforce the emerging pattern of international collapse triggered by the decline in the price of oil.

In this respect, the disintegration of the forward market should disabuse those victimized by the disinformation spread by British propaganda outlets and their allies within the United States, to the effect that Britain will be able to ride out the effects of the Saudi-led warfare to force the OPEC nation and its allies to come to terms maintaining the international power of the financial interests which rig international markets. This line is echoed in the United States by those whose academic training in economics only succeeded in separating their brains from their tongues: those who insist, for example, on the "beneficial" effects of a fall in the price of oil, and proceed to correlate the effects of each further drop in the dollar value of the product, with an increase in GNP, a decline in the U.S. trade deficit, an increase in government revenues and so forth.

Oil price fall debunks recovery

The oil price fall will be beneficial, but not in the way indicated by the decorticated prattle of the three-piece-suited apes of the business community. It crudely dispels persisting illusions that there has been an economic recovery, while forcing the question how to deal with the bankruptcy of the international financial system.

Such leading issues are already being forced. The more than 50% decline in the price of oil over the last weeks, now below $14 a barrel for the leading U.S. benchmark crude, West Texas Intermediate, has already reduced the foreseeable earnings of oil producing, indebted Third World nations, such as Mexico, Venezuela, Nigeria, Indonesia, to below the level at which the pretext can be maintained that the claims of the usurers will be met.

Such countries have nothing left to be stolen.

This has been recognized by Paul Volcker, chairman of the Federal Reserve Board, whose bi-annual testimony to the

Congress, mandated under the Humphrey-Hawkins, so-called Full Employment Act, contained warnings which went unreported in the pages of the euphoric U.S. press. Volcker's attention to the consequences of the oil price decline was used to motivate his standing policy of handing the U.S. banking system, as a whole, over to the mega-banks of the drug lobby, through House passage of the stalled "Omnibus Banking Act of 1984."

As reported by the *Financial Times* of London, "the Fed chairman drew attention to the threat posed both by declining oil prices and by agricultural problems to the financial system. These sectoral strains and imbalances, he said, point up the crucial importance of maintaining the essential soundness and safety of our financial system, and in particular our depository institutions."

The dope money-dependent mega-banks, awaiting the Volcker-approved transfer of assets of regional and local U.S. institutions to their own bankrupt accounts, have made it clear that they intend to break the nations of the developing sector to maintain their own global political power. They insist, as in the case of Mexico, that now national strategic assets, such as Mexico's state-owned oil company and oil fields, be put on the auctioneer's block, as collateral against the unpayable debt. Such obsessive, criminal insanity ignores what is portended in the collapse of the Brent forward market.

Within the United States, what Volcker calls "strains and imbalances" are accumulating to the point that they can no longer be contained. In the lead, as the breaking point, are the southeastern oil- and gas-dependent states of Texas, Oklahoma, and Louisiana. Already Texas Governor Mark White has called on President Ronald Reagan to act to impose a tariff on imported oil to forestall a developing national emergency.

Texas banks, like First City Bancorporation of Houston, are already on the edge. Oil industry suppliers, like Lone Star Steel Corporation, the nation's number-2 manufacturer of casing and tubing for the oil industry, are being forced into cutbacks and layoffs. Increasing imports of cheaper foreign oil, which have surged by 1 million barrels a day over the month of February, will merely accelerate the downward spiral.

The combined effect of the collapse of oil, together with the pre-existing crisis of farm sector indebtedness and the bankruptcy of speculative real estate, could provide the detonator that will explode the megalomaniacal fantasies of the money center banks.

Canadian banking on the brink

North of the U.S. border in Canada, the emerging crisis is of yet more far-reaching import for the U.S banking system. Already numerous Canadian-energy producing companies, such as the notorious Dome Petroleum, are on the line, threatening a banking system which is among the most corrupt and rotten in the world, but so closely intertwined with the United States as to be inseparable.

And in London, the City's commodity trading markets, a major prop for the entire international cycle of speculation, with estimated flows of up to $150 billion per day, are being impacted one after the other.

Here major oil companies, like Shell and BP, have announced retrenchment plans for 1986, while the collapse in the price of oil has begun to force declines in the prices of other energy products, such as coal and natural gas, for the first time in almost 20 years, and in the case of coal for the first time since the end of the Second World War.

The last month's decline in the price of oil has begun to trigger the unraveling of the bankrupt financial system of the Western world, which bloated by the proceeds of usury and speculation cannot withstand the long-postponed consequences of depression-induced price deflation.

Patchwork measures, another round of time-buying measures, of the sort employed in 1967, 1972, and 1979-80 and in 1982, to postpone the inevitable replacement of the collapsed Bretton Woods system, will no longer function.

Perhaps the unfolding crisis can be held off into 1987, if the oil import tariff Texas Governor White demands is applied now; perhaps it can be held off into the fall, perhaps again it will erupt in the spring. Whichever it is, alternative policies are now needed to ensure the very survival of the West from the consequences of the unraveling of over $1 trillion of unsecured, and unmoored debt instruments.

Emergency measures required

Needed emergency measures are available, as designed by Lyndon LaRouche, the only officially declared presidential candidate for the Democratic Party nomination, and controversial economist, whose competence in this area has been regularly proven against the contending views of his critics and opponents.

Aside from the necessary protection of an oil tariff, executive action is required to bring the credit and financial system back under control to protect the banking system from the consequences of its criminality and incompetence. Modeled on the approach of Roosevelt and Lincoln, such would restore the methods of Hamiltonian national banking, through the emission into the banking system of gold-backed Treasury notes, providing the basis for the extension of cheap credit to productive activity in farming and industry.

Such internal measures would complement the reorganization of international indebtedness to the same effect, creating markets for exports from the United States, Western Europe, and Japan in the developing sector, for such purposes as infrastructure construction.

The collapse of the Brent forward market is the writing on the wall for the system which Volcker and his friends defend. They have made their system indefensible and unsupportable.