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Hysterical money printing, as global emergency looms

by Lothar Komp

Leading central banks are making preparations for the big crash ahead, while dumb, average citizens are fed the "Y2K" and other plausible explanations for why they will lose their money. The financial oligarchy is trying to rescue its power with an immense swindle.

Begin with the almost-daily announcements or rumors of losses and insolvencies, now spreading fear throughout world markets. Earlier this summer, there were the losses at the giant Swiss banks UBS and Crédit Suisse, and the Tiger Fund hedge fund, plus the considerable losses in financial derivatives attributed to the U.S. investment bank Goldman Sachs. The largest hedge fund in the world, the Magellan Fund of Julian Robertson, lost some $10 billion of its $100 billion capital between mid-June and mid-August.

In late August, the value of South American "emerging market" debt was falling like a stone, in Brazil and elsewhere. On Aug. 25, Ecuador President Jamil Mahuad announced that his government would not make the $96 million payment due Aug. 31 on its Brady bonds.

Then, there is the U.S. stock bubble. As the London *Financial Times* mused in its Aug. 13 editorial, a "complete stock market collapse" is not unthinkable. On the same day, William McDonough, chief of the New York Federal Reserve, announced officially that he was unable to detect any "systemic risk" in the current situation. Of course, McDonough—the very man who organized the rescue of the Long Term Capital Management hedge fund in September 1998, when the world financial system was on the brink of imminent collapse—is a bad liar. Wall Street wasn't soothed.

Y2K is a pretext

What the leading central banks really fear for the coming weeks and months, is clear from the worldwide and coordinated preparations under way to counter expected financial emergency situations. They use false flags, so as not to panic already-skittish investors. Instead of talking about reality, the talk is about the "Year 2000 problem."

This is a double swindle. Older computer programs may in fact have problems with their two-digit year entries at the turn of the century. But the menace of the "millennium bug" has been blown up for entirely different reasons.

For one thing, the systematically cultivated hysteria about the "Y2K" problem has provided producers of computer software and hardware a handsome boost in orders, to the tune of several $100 billions. This, in turn, is the basis for the speculative bubble in so-called technology stocks in the U.S.A. The stocks of Internet firms—many less than two years old, and half never showing a profit—experienced a flow of more than $600 billions from bedazzled investors up to April 1999. Since then, their value fell by one-third.

But the second function of the "Y2K" problem is just as important. It provides central banks the ideal pretext to make their preparations for the expected financial collapse, without having to concede the bankruptcy of the world financial system, with its hundreds of trillions of dollars in purely speculative, short-term liabilities.

The February 1999 report of the Bank for International Settlements (BIS) in Basel, Switzerland, "Plans of Financial Market Authorities for Year 2000 Emergencies," calls on central banks and supervisory authorities to prepared for "local and system-wide problems" in the financial system, "independent of the reason" for the financial emergency situation. Authorities are advised to study the experiences of previous emergencies, e.g., "large natural catastrophes (floods, earthquakes, storms, or fire), collapse of public utilities (interruption of electricity supplies or telecommunications), or considerable financial market disruptions (for example, the insolvency of large institutions or great market volatility)."

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According to the BIS report, authorities must realize that these earlier experiences are likely only "insufficient approximations" of the coming problems.

There are three prominent, interconnected risks for banks and financial markets: first, "temporary or longer-lasting interruption of business activity" of market participants, e.g., due to a generalized disruption of systems for settling of accounts or infection of other market participants; second, "the erosion or loss of confidence on the part of investors or other sources of liquidity," which could unleash runs on the deposits of banks; and third, "the increased risk of capital losses," e.g., due to "the insolvency or bankruptcy of debtors or capital-market counterparts of the bank."

In view of the obvious danger of a worldwide financial collapse, large blinders are required if one wants to claim that the Basel financial strategists and their associated central bankers were only looking at the modification of computers when they sketched the above scenarios. But, for obvious reasons, the BIS could hardly have titled its report "Plans of Financial Market Authorities for the Collapse of the Worldwide Derivatives Bubble."

It is quite clear from the BIS proposals, as well as from the various emergency plans presented by numerous central banks since then, that these "crisis managers" have still not learned the lessons of the 1997-98 financial catastrophes. They still cling to the unsalvageable world financial system. Instead of a global reform, including initiating a bankruptcy procedure for all speculative liabilities, as U.S. Presidential candidate Lyndon LaRouche has demanded, the leading finance ministries and central banks are scheming a new orgy of money-printing and misuse of tax-monies, in order to smother the conflagration in the world financial system with a flood of liquidity, no matter what it costs.

In recent years, the IMF orchestrated international rescue packages (financed by taxpayers, of course) to the tune of some $240 billions to plug the holes in speculative bubbles, in addition to rescue packages for defunct banks of nearly $600 billions. Nearly all leading central banks dropped their short-term interest rates to record-low levels, in order to secure the flow of liquidity into the bubbles on Wall Street and elsewhere. Now, the central banks have come up with no better idea than to open the money-spigots even more.

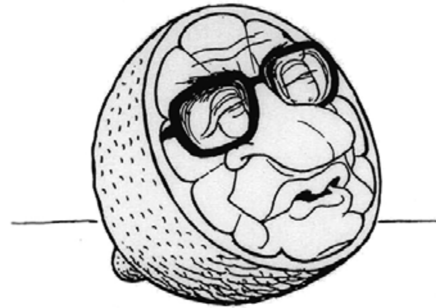
Open the money spigots

On the one hand, this means providing for additional bank notes in preparation for a panic. The central banks are also tinkering with plans to soften up the restrictions currently in effect, on the refinancing credit lines of commercial banks, both with respect to the volume of available refinancing, as well as the conditions, in order to make an immense flood of liquidity possible. A small selection of the already published plans in this direction are illustrative:

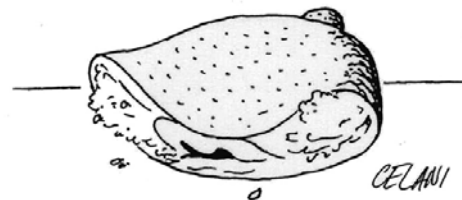
- The U.S. Federal Reserve has asked the U.S. Treasury to print an additional $50 billion in preparation for the end of the year. In addition, the Fed will establish a special, emergency line of credit, with the name "Century Date Change Special Liquidity Facility," and this will occur on Oct. 1, and not, as planned, a month later.
- The Bank of Japan is holding 400 trillion yen, roughly $380 billion, in reserve, in order to counter possible liquidity problems in the banking sector.
- The Swiss National Bank, according to its own reports, has 60 billion Swiss francs on hand, in case of a run of panicked customers on their banks.
- The German Bundesbank has announced that sufficient reserves of cash are on hand to be able to deal with unforeseen situations, and refinancing lines of credit via Lombard credits would be provided to banks if necessary.
- In Hong Kong, monetary authorities have announced that they have increased the volume of the cash reserves, from the usual 90 billion Hong Kong dollars to 150 billion.
- The Italian central bank wants to increase its cash reserves to threefold the normal volume by the end of the year.

Finance ministers and central bank chiefs have committed themselves to a hyperinflationary course of action, in a futile attempt to buy some more time. Lyndon LaRouche commented that we are seeing the preparatory moves for a repetition of the hyperinflation of Weimar Germany in the summer and fall of 1923, but now on a worldwide scale.

"Systemic crisis"



Mr. Greenspan's original condition



Mr. Greenspan's present condition