

From: Michelle Rasmussen [<mailto:mich.ras@hotmail.com>]
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To: Heimir Skarphéðinsson
Subject: Addition to Opinion about bank separation motion 239

Supplementary information to the opinion of The Schiller Institute in Denmark and Sweden regarding bank separation motion 239 before the Althingi's Economic and Trade Committee:

The following is part of a statement by the international Chairwoman of the Schiller Institute Helga Zepp-LaRouche, who is also the chairman of the Germany political party Civil Rights Solidarity (bueso.de) on issued on February 16th, 2013, relating to bank separation:

In many European nations and in the U.S. itself, there is a growing movement for the implementation of the same package that Roosevelt used to pull the United States out of the Depression and transform it into the world's most prosperous economy: the Glass-Steagall [bank separation] Act, the Pecora Commission [1930s congressional banking investigation], the New Deal, infrastructure construction, and the real economy. There is a realistic alternative.

A Tissue of Lies

But the lobbyists for the current globalized system are putting enormous pressure on members of the various parliaments, to keep them from implementing Glass-Steagall. They are using a variety of tactics and lies.

Lie #1: "If a two-tier banking system were introduced now, it would destroy the entire global financial system, with catastrophic consequences for the real economy and jobs."

The truth: This financial system is already beyond repair. The central banks' practice of creating unlimited liquidity stopped benefiting the real economy long ago, and has only extended the banks' abilities to continue their speculation in a completely non-transparent market. The system's total debt exceeds the gross national products of all the world's nations by several orders of magnitude; this debt can never be repaid, and the attempt to do so by printing money would result in a short-term hyperinflationary explosion.

Hyperinflation is the most brutal form of expropriation of the general population. After the hyperinflationary devaluation of the debt, a new currency would come into being, and the only ones who would then own anything are today's mega-speculators, those who belong to the "Club."

Lie #2: "The two-tier banking system would not have prevented the collapse of Lehman Brothers, which was purely an investment bank."

The truth: The collapse of Lehman Brothers and AIG, as well as the prior collapse of the so-called dot-com bubble in March 2000, and the U.S. secondary housing market in July 2007, were the result of the deregulation of financial markets. Alan Greenspan, after his appointment as head of the Federal Reserve in 1987, introduced this, step by step. The collapses were also a result of the repeal of the Glass-Steagall Act in 1999, leading to the excesses of derivatives and other "creative" financial instruments. To this day, five and a half years (!) after the outbreak of the crisis, governments have done *nothing* to curb this monster system, which favors the mega-speculators at the expense of the common good, and risks the total destruction of society.

Lie #3: "The two-tier banking system would put Germany's credit supply at risk, damaging the competitiveness of the German financial sector compared to British, American, and Asian banks, which have no fear of conversion to a two-tier system."

The truth: The only way that the real economy can not only be supplied with credit, but also expanded through a "Marshall Plan" for Southern Europe, the Mediterranean, Southwest Asia, and Africa, is through a credit system in the tradition of Alexander Hamilton, the first Treasury Secretary of the United States; Abraham Lincoln; Roosevelt, and Germany's post-1945 Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency). That means we need to replace the current monetarist system,

based on profit maximization, with a credit system, oriented toward the common good, extended by means of higher energy-flux density in the production process.

The current unlimited, hyperinflationary "supply of credit" by banks, as the central banks generate more and more money, must be replaced by credit lines for well-defined projects in the real economy, creating full and productive employment and improving the quality of life from one generation to the next, and especially making a decent future possible for the younger generation.

The truth is also that the imminent threat of hyperinflation would have the same effect as a world war. Once it has broken out, it will continue to escalate and more, and will only stop when many millions or even billions of people have perished.

Those who defend the current system are guilty not only of the life-shortening consequences of the policy of the Troika [IMF, European Commission, European Central Bank] in Greece, Italy, Spain, and Portugal-not to mention Africa-but also for the consequences that continuing the casino economy will have for the whole world's population.

Only a completely new paradigm, which puts people back at the center of politics, the economy, and culture, can overcome this crisis, which has destabilized all the institutions that we once assumed were safe and guaranteed. The introduction of a real two-tier banking system in the tradition of FDR's Glass-Steagall-and not one of the "ersatz coffee variations" à la Peer Steinbrück, Wolfgang Schäuble, the Liikanen Plan, the Vickers Commission, the Volcker Rule, etc.-is the first step.

*This statement appeared in the [February 22, 2013 issue](#) of **Executive Intelligence Review**.*