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Nothing can save derivatives debt bubble—cancel it!

Desperate efforts to defend the trans-Atlantic financial system threaten to bring down the entire global economy. The system is disintegrating so rapidly that anything and everything is being used to plug the gaping holes. Despite the EU's shiny new "bail-in" law that came into force on 1 January, which was promised would ensure financial stability, panicked authorities are now scrambling to team bail-in with old-fashioned bail-outs, and a new, more dramatic round of quantitative easing (QE).

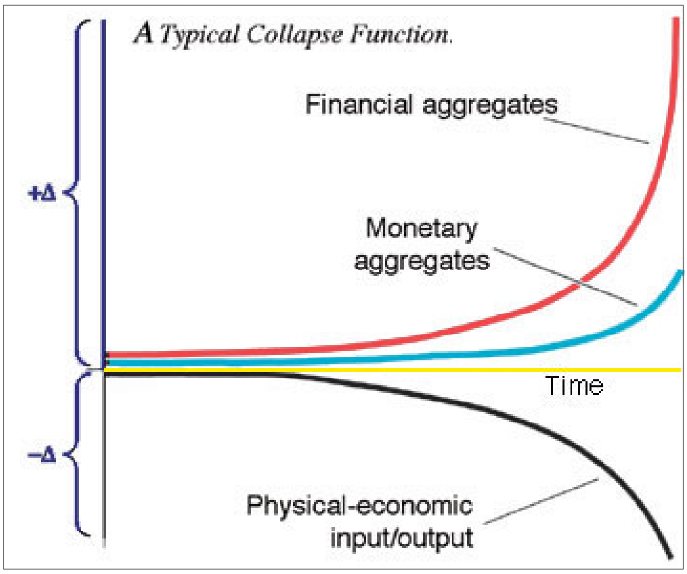
In the latest QE manoeuvre, on 29 January the Japanese Central Bank announced a move into negative interest rate territory—from the previous rate of +0.1 per cent down to -0.1. This prompted a wave of speculation that the same action could be taken by most countries across the globe, including the United States, where many are blaming Federal Reserve Chairman Janet Yellen's December interest rate rise for the current financial chaos. Bloomberg noted that "about a quarter of the world economy [is] now in negative-rate territory", including the central banks of Sweden, Denmark, Switzerland, and now Japan, quoting one expert who said that "Negative rates are now very much the new normal."

Together with a new deal designed to save Italian banks from drowning in bad debt by creating new securities which will only feed the derivatives cancer (p. 4), these actions will actually bring the bubble closer to bursting. The rapid plunge of some of the world's biggest commodity and oil/gas producers towards bankruptcy (p. 6) also threatens to trigger the derivatives bomb and bring on a global depression.

The Turnbull government seems determined to keep Australia locked into the crashing trans-Atlantic system. Last Friday night at an exclusive Sydney Opera House event hosted by giant Wall Street bank Citigroup, Turnbull and his top ministers, government officials and financial regulators wooed representatives of some of the biggest Anglo-American investment funds, begging them to load Australia with more debt in the name of foreign investment (p. 3).

There were signs of sanity, however, when a 1 February speech by prominent British professor of economics and *Financial Times* columnist John Kay to a CFA (Chartered Financial Analyst) Society conference, also in Sydney, sparked a burst of publicity in the Australian media about the need for Glass-Steagall. The *Australian Financial Review*'s Sally Patten report-ed Kay declared that mere regulatory controls would do lit-tle to prevent another financial crisis, and that "Professor Kay proposed that governments force banks to separate their re-tail and investment banking activities", advocating a place for "boring" banking outside of profit seeking; Patten gave a brief rundown on Glass-Steagall and its repeal. The *Sydney Morn-ing Herald*'s economics editor Ross Gittins also reported Kay's speech, under the headline "Banks are using us to hedge their bets". Echoing the CEC and LaRouche's two decades of warn-ing about derivatives gambling, Gittins reported Kay's view that almost all speculative activity is "socially unproductive": "It might or might not benefit the people doing the trading, but it's of no benefit to the rest of the economy", he wrote.

In a 19 January interview with London's *The Telegraph*, former Bank for International Settlements chief economist William White also echoed the CEC and LaRouche, calling for orderly write-downs of the world's unpayable debt, and massive government investment in infrastructure. The fact that such people are coming around to our understanding of the crisis, and the solutions, is both excellent progress, and a re-minder that we are the leaders in this fight.



Ahead of the curve: Lyndon LaRouche produced this "Triple Curve" graph back in 1994 to illustrate what SMH economics editor Ross Gittins discov-ered this week: "If you add together all the financial assets ('claims') owned by all the banks and other financial outfits, they exceed by many times the value of the physical assets—such as houses and business buildings and equipment—which are the ultimate basis for all those claims."