

## The Cyprus template: The case of Spain: A case study for why we need Glass-Steagall now

Dennis Small, EIR Ibero-America Editor, gave the following briefing to LPAC-TV on March 27, on how the “Troika Haircut” of Cyprus, which may be compared to throat slitting, is being played out in Spain, a well-kept secret from American TV news junkies. Here is the transcript. (Watch it here: <http://llarouchepac.com/node/26013>)

Earlier this week, on Monday the 25th of March, the new President of the Eurogroup Jeroen Dijsselbloem, stated that the developments in Cyprus, wherein the depositors in the Cyprus banks were fleeced out of billions of euros of money, to bail out the insolvent European financial system, that this, according to Dijsselbloem, was actually going to be a “template” or a model for what was going to be done in other countries, as well. Now, that excessively frank remark from Mr. Dijsselbloem, caused a flurry of responses, since it produced a political panic of sorts, and also the beginnings of a bank run, or the rumblings of a bank run in a number of countries.

Immediately the Eurogroup Working Group prepared an internal memorandum, which according to the *Wall Street Journal*, states that; “no, no way; Cyprus is not a template for any other country.” And then, the prime minister of Spain, Mariano Rajoy, had a joint press conference with François Hollande of France, and issued a statement where he *emphatically, categorically* denied that what had happened in Cyprus could conceivably ever happen in any other country. He said, and I quote, “The problem of the Cypriot banking sector is different than the rest of Europe. The decision adopted is extraordinary and unique, and will be applied in an extraordinary manner, and only to Cyprus.”

Now, while Rajoy was acting for all the world like Pinocchio, you had at the same time, the governments of Luxembourg and Portugal, simultaneously saying that this type of measure, of simply stealing bank deposits, could never possibly happen in any other country.

The fact of the matter, of course, is that the dam has been breached; the fact that this has occurred in Cyprus is exactly an indication of what is to come. Or, actually, the verb should be, not “what is to come” but “what is already happening elsewhere.” And I think what’s really most interesting, is that while Rajoy was lying through his teeth, his own government was in the process of announcing through the deputy economics minister of the country, Fernando Jimenez, to a Spanish Senate committee, that they had reached the long-awaited terms of an agreement for rolling up five bankrupt banks in Spain. The biggest one and the best known



is Bankia, which went bust many months ago.

And as per the terms imposed on Spain from the outside, just as in the Cyprus case, imposed on Spain from the outside by a Memorandum of Understanding, signed in July of 2012, last year, between Spain and the widely detested Troika, meaning the European Central Bank, the European Commission, and the International Monetary Fund, the terms of bankruptcy reorganization of Bankia and the other four banks that went under, were that stockholders in the bank would be forced to take a significant write-down in their stock holdings in the company.

Now, what you need to know, and this is where the scandal just begins, is that most of the “stockholders” in Bankia are *former small depositors in the bank*, who were defrauded, were falsely, fraudulently sold what are called “preferred stocks” in the bank. The retail branches of Bankia and other banks, sold their own depositors “preferred stocks,” referred to in Spain as *preferentes*; they took their savings, their deposits, and bought these preferred stocks. So that the vast majority of the so-called “stockholders” in Bankia, are actually small depositors who have just been fleeced. There are over 1 million such families of *preferentes* or preferred stockholders in Spain.

The terms of the Bankia reorganization has two parts. Now,



President of the Eurogroup Jeroen Dijsselbloem.



Bankia, the biggest and the best known of five bankrupted Spanish banks. Depositors were fleeced to keep these banks alive longer. Their deposits were transferred into stocks in the banks.

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it's very technical and detailed, and I'm not going to go into it, but it's basically two components:

First, the preferred stocks themselves have been forced to take a writedown, of between 30% and 70%. Boom! Gone!

Then, these preferred stockholders — “preferred,” I guess, only because they're certainly “preferred” by the international creditors who are fleeing them! — their preferred stocks are then being converted into common stocks in the bank! What's happening to the common stocks, which they are forcibly being given in exchange for the preferred stocks, after the writedown? Well, the per-share value of Bankia last week was EU2 per stock. The price for the common stock in Bankia, now, after the reorganization, is 1 cent of a euro. In other words, less than 1%, actually 0.5% of its prior value.

So they got written off 30-70%, and then a 99% writedown after that.

Now, this has caused an uproar in Spain as you might well imagine. The total amount of money being *robbed* from Spaniards, just as in the Cyprus situation, is in the range of EU6 billion — and counting. And there are a couple of interesting aspects about this thing. First of all, let's just for a second, take a step back, and ask: What does it mean to say, that “Cyprus is a template for the rest of Europe”? Well, the most recent official figures, if you look at the amount of public debt, held by the European banking institutions—in other words, the whole bankrupt, London-centered shebang of banks—the amount of debt that they hold of each of the European countries. The total amount held all across Europe, is EU3.6 trillion. Now, the amount in Cyprus is only EU3.1 billion. In other words, Cyprus is less than 0.1% of the total exposure of the banks to sovereign debt across Europe.

So this *really* is a tiny straw that is breaking the camel's back, there. Much bigger is Spain, with EU188 billion. Bigger still is Italy with EU280 billion. In the Spanish case it's about 5% of the European total. So, if you take the template applied in Cyprus, at 0.1%, and are broadly applying it across the board, I think you get the idea of what's going on here.

What's going on here, is that the game is over. Mario Draghi, the head of the European Central Bank, was, up until recently, singing loud and clear: “No problem, we're going to keep pumping money in, there's never going to be a bankruptcy, the music is going to keep playing.” Some people recall the old children's game of “Musical Chairs,” where there are four chairs and five people, and while the music plays, people walk around the chairs. And, when the music stops, the five people have to try to sit down in the four chairs. And of course, one can't make it, and he's out. And then it continues with four people, and three chairs.

Well, Draghi said: “Don't worry, the music is going to play for-



Mario Draghi, the head of the European Central Bank.

ever.” But what has now happened, is that the music has stopped. The game is over. And the fight is on, and this is a *massive* political war: Who is going to pay for the absolutely *unpayable*, bankrupt financial system? Because this is not a case of five people and four chairs. You're talking about 600 people, and two chairs, and probably one of them is a hologram — it's just financial derivatives and doesn't exist.

So, the big hit, the big question, is who picks up the tab? Who pays for this? And what it means to say that Cyprus is a “template,” is that the population of Europe is going to be fleeced, and destroyed, and killed, to pay for this.

Now there is one alternative, and only one alternative, and that is, instead of killing off the population, the financial cancer is killed instead. That \$3.6 trillion — and then some! — in completely unpayable debt, is simply left for the banks to resolve. The governments don't pay it. The people don't pay it. The cancer can survive on its own, but *not* on the healthy tissue of the economy!

And what's coming out of the City of London now, and what's coming out of Wall Street now, is the line that, no, this has got to be paid by the population, in killing them off.

So there's *really* only one answer, there's only one alternative to the kind of death, and robbery, and theft, being imposed upon Europe, *and* across the Atlantic into the United States, and that alternative is the Glass-Steagall bill, which needs to be applied, not only in the United States, but internationally as well.

Now, it's actually of some interest, if you look at this situation, to take note of the fact, that this same type of fraudulent sale of so-called “preferred stocks,” that has occurred in the case of Spain, to the tune of billions of euros, saddling over a million households with this fraudulent debt — and, by the way, they were sold these instruments with the idea that they were a kind of term deposit, but with very high interest rates; some of these shares were, in fact, *never* able to be cashed in, and in many cases, the term was, believe it or not, 1,000 years. So, this is the modern version of the Thousand Year Reich, that we're talking about here, Hitler style.

But it's very interesting, that *exactly* this kind of operation, with preferred stocks, which has been going on in Spain, was what was happening in the United States in the early 1930s. And it was studied, and exposed, by the Pecora Commission, under Franklin Delano Roosevelt. And in cases such as First National City Bank, the precursor of Citibank today, they were caught red-handed, fleecing people in exactly the same fashion. And it was the Pecora Commission which exposed these and related crimes, which laid the basis for, among other things, throwing these guilty parties in jail, which most certainly should be done, but most significantly, for the complete reorganization of the banking and financial system according to the Glass-Steagall Act of 1933!



FDR signing Glass-Steagall into law in 1933.



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destroyed by them, rapidly.

So, there's no hope. The U.S. situation is absolutely hopeless. You look at this hyperinflation, which took over, especially since 2007, but was started at the end of the term of office of Bill Clinton, as Graham-Leach-Bliley, etc. And this was the greatest swindle ever pulled off inside the United States, was the Graham-Leach-Bliley swindle, which a terrified then President Bill Clinton, who was under tremendous threats of all kinds of quarters, signed into it. It was the worst thing he ever did, but he did it under tremendous pressure.

And this had been planned long before Bill was ever President. It began at the end of the 1970s and the beginning of the 1980s—a whole swindle was pulled off. And the high point of the swindle was, of course, the George Bush Administration, three George Bush administrations, in point of fact, the old geezer and the young squib, the two of them; and then, of course what's on now.

So there is no hope, for the continuation of the present world international monetary system *now*. India and China, of course, are major countries; there are other countries in the East, which are independent countries in some degree, and have an independent role. But the trans-Atlantic region, is the region that is crucial, because the world financial-monetary system is actually located essentially in that region, around the Atlantic Ocean, and all shores.

So we're at the end of the system!

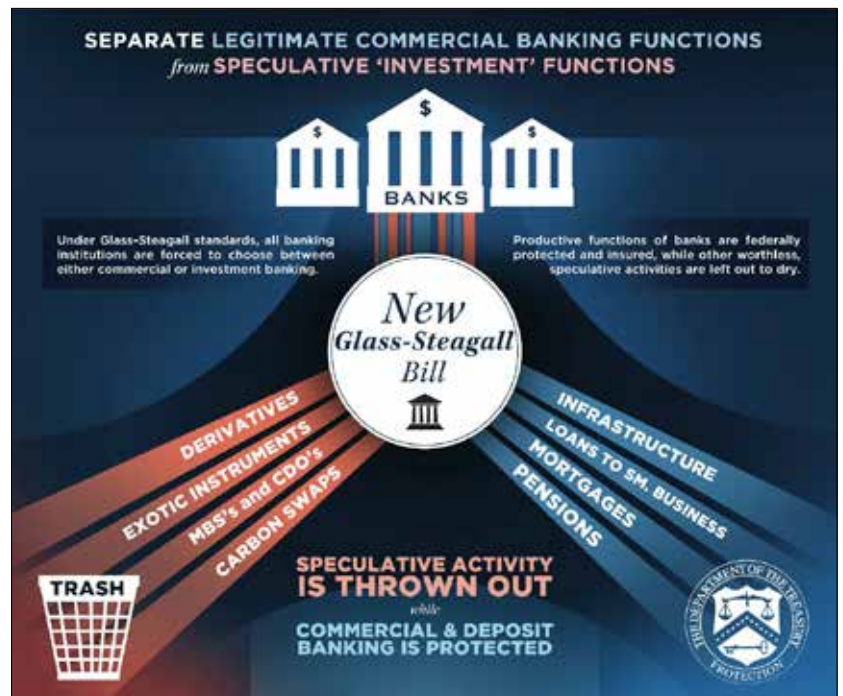
Now, the only way you could get out of this system, if you want to survive in the United States, if you want to have a life inside the United States, you will push through Glass-Steagall as early as you can, and I mean within weeks, or days! Push it through now! It's the most important thing you can do for your life and the life of your family, the life of your friends inside the United States, and for the benefit of people in other parts of the world!

This thing, if it blows, will mean that *no one*, in the United States, even those who think they're very rich right now, they don't know what a real blowout is, because there will be nothing! Do you know what it's like, for a nation, or nations, to reach the point that they have no money? They have no money in their banks? No money circulating in their accounts? Money has died! The greatest financial bubble ever conceived of, which will destroy the whole planet, starting with the trans-Atlantic region.

So that anybody who continues to oppose Glass-Steagall, whether wittingly or not, is a criminal, a mass criminal. *There is no solution for the situation, presently extant, in the trans-Atlantic region.* Except in Iceland, where they've decided to put Glass-Steagall through. And the only chance for the United States and the people of the United States, is passing Glass-Steagall now!

Now, what's the issue here? Why do people resist Glass-Steagall? Well, they're not really loyal Americans, I can tell you that. They're Wall Street types, and their interests lie in what? Since the time that a swindler became President of the United States, the United States economic interests have been chiefly, with some brief periods of exception, have been under the control of the British Empire.

What happened was, in that situation, after the end of the term of one of our greatest Presidents, Wall Street took over. And what was Wall Street? Wall Street was the British banking interests, the international British banking interests: And from that point on, the United States, up until the Civil War, the United States was dominated by the *British banking interests*, including some screwballs in Boston, who are part of the same thing.



Then, again, we had the assassinations of Presidents. We had, during the beginning of the 20th century, we were in terms of Wall Street, we were *puppets* of the British Empire! We continued to be that until Franklin Roosevelt; and the moment that Franklin Roosevelt died, another puppet, Harry Truman, took over on behalf of the British interests, and virtually said to the British Empire, "do what you want to, I'm here! You can count on Truman!" And Truman never did anything, to make the British Empire unhappy.

So that's the situation that we're in: We're in now at a point, where the American people are going to have to decide, as well as other nations, whether they themselves are morally fit to survive! Because if they *don't* pass Glass-Steagall, and if the consequences of *not* passing Glass-Steagall are allowed to continue, *they won't have anything, even their lives!*

So the question is, are the American people so stupid, that they would refuse to ram through Glass-Steagall now? I can assure you, and I can assure anyone, that if Glass-Steagall were enacted this week or next week, that the United States would come through magnificently, and the rest of the world would be saved from the terrible global catastrophe. If they don't have the guts to put Glass-Steagall through now, or the brains to cause them to know they should put it there, then *woe be them!*

We warned them! We did everything we could, to stop them from their foolishness. If they go ahead and continue to support, the forces against Glass-Steagall, they have no one to blame for their death, and their agony, and shame, but themselves.

But the point is, why do they do that, then? Because their bank accounts, are generally controlled by the British Empire, as it has been for a long time. Wall Street is nothing but a tool of the British Empire, of the Queen. The Queen owns all the money, and what she represents as the British Empire; which is really an empire, it's not just something, Great Britain.

This involves many other nations. Most of the nations of Africa are nothing but slaves of the British Monarchy. The entire euro system is a *slave* of the British Monarchy, and the same thing goes around in much of the rest of the world. And even though India and China, and some other countries in Asia are independent, if this system goes in the trans-Atlantic region, if Glass-Steagall is not brought through in the trans-Atlantic region, what you may lose is the human species.