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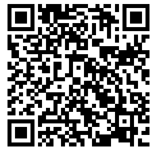

Written by **William F. Jasper** on February 4, 2014

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Your Savings, 401(k), and Retirement Are in Danger

"I went to sleep Friday as a rich man. I woke up a poor man. I lost all my money." That was the tearful lament of 65-year-old John Demetriou, who lives in the fishing village of Leopetri on Cyprus' southern coast. In one fell swoop, he lost his life savings — the result of 35 years of hard work and thrift — in the "capital levy" imposed on Cyprus by the International Monetary Fund, the European Commission, and the European Central Bank (ECB), a trio commonly known as the Troika.

In March of last year, the Troika announced that as part of its deal for resolving the Cypriot banking/financial crisis, Cyprus would have to impose a "one-off capital levy," a one-time tax on savings deposits in Cypriot banks. This was sold to the public globally and in the EU as a necessary and just solution because Cyprus had become a haven for money laundering and Russian "oligarchs." However, it was small depositors, not the big speculators, institutional bondholders, or Russian billionaires, who took the hit. According to reports from Cypriot, Italian, and German media, as much as 20 billion euros fled Cypriot banks in the early months of 2013, with 4.5 billion euros taking flight in just the week before the banks were closed and accounts frozen. Some of the "smart money" folks who were in the early capital flight, undoubtedly, were merely savvy savers who could see the writing on the wall and wisely moved their assets before the politicians could grab them. But credible reports charge that Cypriot president Nikos Anastasiades and Troika officials warned insider banking friends about the coming "haircut," thus allowing those most responsible for the financial debacle to escape the levy, and leaving Demetriou, and tens of thousands like him, to foot the bill.

"It's not Russian money, it's not black money. It's my money," Demetriou told the *Sydney Morning Herald*. Demetriou fled to Australia from Cyprus with his wife and children in the early 1970s, during the country's war with Turkey. Starting with nothing, he worked long hours six and seven days a week selling jewelry in the Sydney area markets. He retired to his native Cyprus in 2007, having amassed a respectable nest egg of nearly $1 million. He intended to build a home and have sufficient money to live comfortably and take care of his medical expenses. But those hopes and dreams have been largely wiped out; he may end up losing up to 90 percent of his savings.

Demetriou is but one of the many victims devastated by the Cypriot "haircut." For many of them, especially elderly pensioners unable to go out and work to recoup the losses, a more accurate description would be "amputation," or even "decapitation."

However, regardless which anatomical metaphor is adopted, the key point is that the IMF-imposed "levy" should be named for what it truly was: a very brazen form of state confiscation, theft, robbery, plunder. And it represents a dangerous new phase in the politico-economic development of the "new world order." It is not mere chance that the "capital levy" for common depositors was first tried on tiny Cyprus. With a population of barely a million and accounting for merely 0.2 percent of the eurozone

GDP, Cyprus is an easy mark, and — from the standpoint of the Troika globalists — a good experimental case.

But to those who are paying attention, the signals are unmistakable that the lords of finance in the central banking fraternity do not view this as a "one-off" event; they plan to use this "tool" very broadly in the coming months. Indeed, the IMF and top central banking maestros have already said so, as we will show. And we are already seeing permutations of this (as in Poland) with the nationalization of private pension funds, and replays (as in Canada and New Zealand), with proposals for Cyprus-style depositor "bail-ins." But the big prize being eyed, of course, is the United States. If you think that what has happened to Cyprus and Poland can't happen here, you may end up, tragically, like John Demetriou, destitute and pauperized. Not only that, but you may find that, like the Cypriots, you have lost your freedom, your independence, and national sovereignty; that the policies affecting you most directly are being dictated by international bankers and bureaucrats beyond accountability through elections and national laws.

What the Cyprus/Poland experiences have very dramatically shown is that when the IMF and its allied politicians, economists, and central bankers start talking about "capital levies" it's time to hide every penny you can. What they really mean is they intend to confiscate anything they can find: savings accounts, checking accounts, investments, pensions, home equity. But that is not all. In addition to a globally coordinated wave of "capital levy" taxation, the IMF/central banks axis of evil is also pushing an agenda of global inflation (under the labels of "stimulus" and "quantitative easing") and global regulation (under the label of "macroprudential policy"). Global taxation, inflation, and regulation — all of which are aimed at confiscating global economic wealth — are a path to concentrating, and then confiscating, global political power.

Taking the Cyprus Tax Global

In October 2013, a study in the *IMF's Fiscal Monitor* entitled "Taxing Times" sent shivers and shocks through the financial world. Among the most jarring proposals in the 107-page report is the suggestion of a "one-off capital levy." Following so closely on the heels of the IMF's Cyprus levy, the implications are ominous, to say the least. According to the IMF's "Taxing Times":

The sharp deterioration of the public finances in many countries has revived interest in a "capital levy" — a one-off tax on private wealth — as an exceptional measure to restore debt sustainability. The appeal is that such a tax, if it is implemented before avoidance is possible and there is a belief that it will never be repeated, does not distort behavior (and may be seen by some as fair). There have been illustrious supporters, including Pigou, Ricardo, Schumpeter, and — until he changed his mind — Keynes.

Get that? It has to be sold as a one-time event that will never be repeated, an "exceptional measure" for "sustainability." And it has to be sprung suddenly, so that savers can't run to the bank and pull out their funds. That involves imposing "bank holidays" and other "capital controls," which we will discuss further on.

So, how much are they planning to take? The IMF authors state:

The tax rates needed to bring down public debt to pre-crisis levels are sizable: reducing debt ratios to end-2007 levels would require … a tax rate of about 10 percent on households with positive net worth.

Romain Hatchuel, the managing partner of asset-manager Square Advisors, warns that the IMF

proposal signals a huge danger. In a Wall Street Journal article of December 3, 2013, entitled "The Coming Global Wealth Tax," Hatchuel noted that the IMF levy would be much higher for the United States than 10 percent, and could surpass 70 percent! Hatchuel explained:

As the IMF calculates, the … revenue-maximizing [tax] rate … is around 60 percent, way above existing levels.

For the U.S., it is [between] 56% and 71% — far more than the current 45% paid … by those in the top tax bracket….

From New York to London … powerful economic players are deciding that with an ever-deteriorating global fiscal outlook, conventional levels and methods of taxation will no longer suffice. That makes weapons of mass wealth destruction — such as the IMF's one-off capital levy … — likelier by the day.

Weapons of mass wealth destruction indeed — and wealth *transfer* to those who are politically connected. And if you believe that this would be a one-time (or "one-off") event, you probably still believe the promises that the Greek bailout would be a one-off event, or that under ObamaCare if you want to keep your current insurance plan or your current physician, you can keep them. Period.

The IMF study reignited the fears and fury that had erupted months earlier, in March, owing to remarks by eurozone chief Jeroen Dijsselbloem that the Cyprus levy on bank accounts could be a template for dealing with similar banking crises across Europe. In a March 25 interview with the *Financial Times* and Reuters, Dijsselbloem said the Cyprus gambit would be repeated elsewhere "if necessary." Those remarks triggered immediate declines in European markets, prompting the eurozone finance ministers to come up with a reversal on March 26 asserting, "The Cypriot program is not a template, but measures are tailor-made to the very exceptional Cypriot situation."

However, three months later, on June 26, the eurozone finance ministers reversed their reversal and confirmed that more capital levies (which they sometimes euphemistically refer to as "stability fees" and "stability levies") would indeed be the model for dealing with troubled banks. "For the first time, we agreed on a significant bail-in to shield taxpayers," Dijsselbloem announced, after a seven-hour, late-night huddle with the other finance ministers.

Bailout or Bail-in?

"Bail-in." That's another of the crafty neologisms the weasels of finance have coined to throw off the bumpkins who are rebelling against further taxpayer-funded bank bailouts. In a bail-in, supposedly, the bondholders (mostly institutions) and bank shareholders, followed by savings depositors, would foot the bill for risky bank portfolios (toxic mortgage-backed securities, for instance) that go sour. But as we've seen over and over again, the big insider institutions most responsible for the speculative bubbles get off the hook and leave others holding the bag.

The usual enablers in the establishment media choir have been assisting in the subterfuge, pitching the new EU policy on capital levies as a boon relief to taxpayers and a long-overdue squeeze on "wealthy" investors and savers. "The European Union agreed … to force investors and wealthy savers to share the costs of future bank failures, moving closer to drawing a line under years of taxpayer-funded bailouts that have prompted public outrage," reported Reuters on June 27, 2013.

"The European Union spent the equivalent of a third of its economic output on saving its banks between

2008 and 2011," noted the Reuters story, "using taxpayer cash but struggling to contain the crisis and — in the case of Ireland — almost bankrupting the country."

"But," Reuters continued, "a bailout of Cyprus in March that forced losses on depositors marked a harsher approach that can now, following [the June 27] agreement, be replicated elsewhere." *Can now … be replicated elsewhere* — as the IMF study proposes.

The voters/taxpayers are supposed to be so relieved by the announcement that their torturers will stop turning the thumbnail screws that they miss the follow-up message: The torture team will start pulling toenails instead. But Team Hannibal Lector at the IMF/ECB/EU Troika would, no doubt, put it more delicately: They will be switching from a stability manicure to a stability pedicure!

How credible are the assurances that the new EU capital levies will be aimed at the big institutional gamers and not at the small depositors, the middle class savers? About as reliable as all of the previous broken promises that the politicians and central bankers have made regarding one bailout after another. After all, only one month before the Cyprus bail-in, Dijsselbloem cobbled together a 3.7 billion euro taxpayer bailout/nationalization of SNS Reaal, the fourth-largest bank in the Netherlands, that was stuffed with zombie real estate loans. In that deal, Dijsselbloem protected SNS Reaal's senior bondholders, using the "too big to fail" argument in his explanation to the Dutch Parliament. The banking maestros realized that public anger over this and previous bailouts had reached the point that required a new fleecing strategy. Voila!: the "bail-in" was born and packaged as the taxpayers' friend.

However, many economists, investors, financial advisors, economic analysts, pundits, and "plain Joes" recognize the confiscatory capital levy/bail-in for the government-sponsored theft that it truly is. Among the naysayers is famed investor/author and commodities tycoon Jim Rogers. Following the annual meeting of central bankers in Jackson Hole, Wyoming, in August 2013, Rogers expressed his belief that the confab presaged a massive taxation and inflation plundering campaign on the global level. "They're going to take money wherever they can," he warned. "They're going to take our bank accounts and retirement accounts."

The "they" he refers to are the central bankers and their insider commercial banker colleagues — and national governments, which serve as the collection agencies for the bankers. "This is the first time in recorded history all the banks are printing money at the same time…. This is the first time we've had massive debasement [of currencies], and it's going to end very badly no matter what they say," Rogers said in a remote video interview with Greg Hunter of USAWatchdog.com.

"Whether they keep printing or stop printing money globally, it is going to end badly," Rogers continued. Rogers concluded by saying, "We've had perilous times, and it's going to get worse…. It's coming, be worried, be careful."

As we mentioned above, expropriating depositors' bank savings is but one of the "capital levy" options available to insatiable governments and central banks; state pensions and private pensions are also increasingly irresistible targets. Argentina's President Cristina Kirchner kicked off the practice in 2008 with the nationalization of $30 billion in private pension holdings to pay off government debts. (To this she has added capital controls, such as limiting cash withdrawals using credit cards, which has led to massive foreign and domestic capital flight from Argentina, South America's second largest economy).

In 2009, the Irish government raided the National Reserve Pension fund of 4 billion euros to rescue troubled banks. Then in 2010 it came back to clean out the 2.5 billion euros that were left to cover

government spending. Hungary followed the same course in 2010. Nationalizing private pensions was the beginning of a series of nationalizations of private companies to pay government debts. Prime Minister Viktor Orban has pushed government takeovers of energy, auto parts manufacturing, waterworks, and more. In September 2013, Poland's Prime Minister, Donald Tusk, announced his government's confiscation of bonds held in private pension funds. It is using these resources to feed the government's ravenous appetite. With help and encouragement from the IMF and central banks — and with virtually all governments on non-stop spending binges — this trend is all but certain to escalate.

In his January 28, 2014 State of the Union address, President Obama provided a warning of things to come, announcing that he (without any authorization from Congress) was directing the U.S. Treasury to launch a new retirement savings bond program, the MyRA. He didn't say "If you like your current IRA or pension plan, you can keep it — period," but does he need to? After the ObamaCare experience, anyone above room temperature should be able to recognize another mandatory, statist program coming their way.

Globalized Inflation

But direct confiscation of assets isn't the only — or even the chief — plan of the ruling elites to purloin your wealth; the more traditional means by which governments accomplish this is by increasing the money supply (inflation), which robs everyone by stealing some of the value of each dollar in each wallet, purse, mattress, savings account, checking account, pension fund, mutual fund, IRA, etc. Since the start of the 2008 financial crisis, the world's central banks have been pumping out trillions of dollars, euros, pounds, yen, and other currencies in an unprecedented coordinated orgy of global "stimulus." Nevertheless, say the money maestros, even more of the same is urgently needed to spare us from the imminent threat of deflation! The new year was barely out of the starting gate when Christine Lagarde, managing director of the International Monetary Fund, announced at a speech in Washington, D.C., that she has set her sights on slaying the "ogre of deflation," a term she mentioned more than once. Speaking at the National Press Club on January 15, 2014, the IMF chief warned: "With inflation running below many central banks' targets, we see rising risks of deflation, which could prove disastrous for the recovery." "If inflation is the genie," she said, "then deflation is the ogre that must be fought decisively."

"This crisis still lingers," said Lagarde, but continued: "Yet, optimism is in the air: the deep freeze is behind, and the horizon is brighter."

But attaining that bright horizon will mean empowering Lagarde and her fellow banking maestros with vast new authority — and mountains of cash. "Getting beyond the crisis still requires a sustained and substantial policy effort, coordination, and the right policy mix," declared the IMF's panjandrum. Key ingredients of that mix, she has said again and again, are expanded government spending (i.e., "stimulus") and expanded money supply (i.e., "quantitative easing"). Lagarde and her central banker cohorts refer to these policies as "unconventional monetary policies" or UMP.

Quantitative easing, or QE, has become a fairly familiar term to many Americans since the Federal Reserve System introduced it in 2008. It began with the purchase of hundreds of billions of dollars of toxic mortgage-backed securities from troubled institutions. By June of 2010, the Fed purchases had ballooned to more than $2.1 trillion and included mortgage-backed securities, bank debt, and U.S. Treasury securities. By November 2010, the Fed was ready to launch QE2, the second round of

"quantitative easing," resulting in purchases of more hundreds of billions of dollars of bad loans and Treasury bonds. In September 2012 the Fed launched one of its most audacious UMP programs, which became known as QE3, to begin an open-ended, indefinite monthly purchase of mortgage-backed securities and Treasury debt instruments. Critics dubbed it "QE-Infinity." After only three months, the Fed bumped up its purchases from the already astronomical sum of $40 billion per month to $85 billion per month. In December 2013 the Fed announced that it would be "tapering" its monthly purchases to $75 billion per month beginning in January 2014.

From the start of QE1, millions of Americans recognized that it was a gigantic fraud through which the Fed was transferring the loss of trillions of dollars in bad loans and government debt from the "too big to fail" banks on Wall Street to the middle class/working class folks on Main Street. Millions more Americans began to catch on when a partial audit of the Fed by the General Accountability Office (GAO) in 2011 — thanks to legislation sponsored by congressman and presidential candidate Ron Paul — pried open the Fed's secret records and revealed that trillions of dollars had been funneled into the world's biggest and wealthiest banks and corporations: JPMorgan Chase, Citigroup, Morgan Stanley, Merrill Lynch, Bank of America, Barclays, Bear Stearns, Goldman Sachs, HSBC, Royal Bank of Scotland, and others.

The Fed is not the only central bank that is plundering the savers and taxpayers for the benefit of the banking and corporate elites; the European Central Bank (ECB), the Bank of England (BOE), and most other central banks have joined in the extortion game, insisting that the UMP bailouts and "stimulus" programs are necessary to avoid "systemic risk," "contagion," and "global meltdown." But every dollar that the Fed creates out of thin air subtracts a dollar's worth of value from the supply of dollars already in existence and transfers that value to the government, or to the central banks and their commercial banking colleagues. And we're talking about *tens of trillions* of those dollars created in the past six years. Everyday Americans eventually experience the pain of the eroding value of the dollar in the form of price increases on everything from food, gasoline, clothing, appliances, and cars to housing and utility bills.

The "Parked Reserves" Avalanche

What has mystified many market observers is that despite unprecedented levels of money creation by the central banks since the beginning of the 2008 crisis, the inflationary effects of all that activity have not materialized as expected. Gold prices and other commodity prices are down, defying conventional wisdom. Why? The answer is UMP — unconventional monetary policy. More specifically, it is the Fed's UMP decision to pay interest on "excess reserves." As we have explained previously in these pages ("Now, More Than Ever, Time to Audit the Fed," February 20, 2012), in 2008 the Fed began an unprecedented policy of paying commercial banks billions of dollars in interest to keep trillions of dollars "parked" in what are known as "excess reserves," rather than lending those dollars out to individuals and businesses.

Doug French, president of the Mises Institute, explained the excess reserves situation in a December 2013 article for Casey Research entitled "A Fed Policy Change That Will Increase the Gold Price."

"Commercial banks are required a keep a certain amount of money on deposit at the Fed based upon how much they hold in customer deposits," French noted. "Banking being a leveraged business, bankers don't normally keep any more money than they have to at the Fed so they can use the money to

make loans or buy securities and earn interest. Anything extra they keep at the Fed is called *excess reserves*."

French continued:

Up until when Lehman Brothers failed in September of 2008, excess reserves were essentially zero. A month later, the central bank began paying banks 25 basis points on these reserves and five years later banks — mostly the huge mega-banks — have $2.5 trillion parked in excess reserves.

"I heard a bank stock analyst tell an investment crowd this past summer the banks don't really benefit from the 25 basis points," said French, "but we're talking $6.25 billion a year in income the banks have been receiving courtesy of a change made during the panicked heart of bailout season 2008. This has been a pure government subsidy to the banking industry, and one the public has been blissfully ignorant of."

"But now everything looks rosy in Bankland again," French noted. "The banks collectively made $36 billion in the third quarter [of 2013] after earning over $42 billion the previous quarter — showing big profits by reserving a fraction of what they had previously for loan losses."

Yes, while Main Street businesses have been unable to get loans, the Wall Street cronies with ties to the Fed have had no trouble with liquidity. And the banks have no incentive to make loans, as long as the Fed keeps paying them not to.

However, the Fed could stop paying interest and cause those excess reserves to be released. And the Fed could spring that on us at any time, with calamitous results for everyone — except, of course, for Fed insiders, who would know ahead of time and could reap huge profits from everyone else's losses. Steve Hanke, professor of applied economics at Johns Hopkins University, explains that the Fed creates roughly 15 percent of the money supply (what he calls "state money"), while the banks create "bank money," which is the remaining 85 percent of the money supply. This is the fraudulent "magic" of fractional-reserve banking under the Fed, which allows banks to issue several dollars in loans for every dollar actually held in reserve. When the pent-up "parked excess reserves" are let loose, they could expand to several times $2.5 trillion, unleashing an inflationary avalanche.

The European Central Bank, the Bank of England, and other central banks have been pursuing parallel actions. "The continental European and US experiences with excess reserves since the onset of the present crisis have been similar," writes Walker F. Todd in *The Problem of Excess Reserves, Then and Now*, published by the Levy Economics Institute of Bard College in May 2013. According to the Todd study, "The ECB experience has been roughly comparable to the Fed's experience: Much monetary creation and much expansion of the balance sheet and monetary base producing comparatively little credit expansion."

And, like the Fed, the ECB could reverse its excess reserve policy at any moment, swamping markets with pent-up euros. Considering the size of the excess reserve overhang, the unprecedented nature of the central banks' payment of interest on them, and the devastating potential of their release, it is incredible (and unconscionable) that the mainstream media financial reporters and pundits have almost completely ignored this elephant hiding under the doily. Ditto for the politicians (both liberal and conservative) who prattle on about the financial crisis, denouncing corruption and special interests, while prostrating themselves in obeisance before the banking lobby.

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Macrofraudential Policies

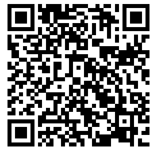
Over the past century, virtually every nation has established a central bank, and all have adopted the fraudulent practice of fractional-reserve banking. And like the U.S. Federal Reserve System, they tend to operate under a veil of secrecy, exempt from the audits that all other government agencies and private corporations are subjected to. Many of them, like the Federal Reserve, have an enormous conflict of interest built into them in that they are hybrid monstrosities, neither fish nor fowl. The Federal Reserve banks are privately owned but enjoy special government-conferred privileges and status.

The activities of the world's central banks have become increasingly coordinated and knit together on the global level through the Bank for International Settlements (BIS) in Basel, Switzerland, the European Central Bank (ECB) in Frankfurt, Germany, and the IMF, which is based in Washington, D.C. The BIS, ECB, and IMF have been working hand-in-glove with the Fed and the major Wall Street banksters to craft "macroprudential policies" that now threaten everyone on the planet. In order to promote stability and protect ourselves against "systemic risk" say the "macro" advocates, we must grant central banks — the people and institutions most responsible for the global financial crisis — more powers to regulate every aspect of economic life.

The Committee on the Global Financial System (CGFS), headquartered at the BIS in Basel, has taken the lead on macroprudential policies. William C. Dudley is chairman of the CGFS; he is also president and chief executive officer of the Federal Reserve Bank of New York (and former chief economist for Goldman Sachs). In May 2010, the CGFS issued "CGFS Papers No 38: Macroprudential instruments and frameworks." The IMF, the Fed, the Bank of England, the ECB, and other central banks and their pet economists in academe have been jumping on board the macroprudential wagon. This is an expanded replay of the deception that resulted in the creation of the Federal Reserve System 100 years ago. As today, people were furious at the Wall Street banks, following the financial Panic of 1910-11. The Federal Reserve Act, which was packaged and marketed as a means to put a leash on the Wall Street "Money Trust," was actually secretly written by and supported by the leading players of the Money Trust. In reality, the act put a choke collar on the American economy and handed the leash to the Wall Street banks that own and control the Fed. It was one of the biggest reverse plays in history. Now the successors of the same Money Trust are trying to invest the IMF with the same powers on a global scale, as amply detailed, for instance, in G. Edward Griffin's *The Creature From Jekyll Island* (1994). They know if they can centralize and concentrate global financial power, global political power will follow, as night follows day.

In 2010, the U.S. House of Representatives overwhelmingly passed Rep. Ron Paul's "Audit the Fed" bill. The Wall Street manipulators and their bankster cronies at the Fed, the U.S. Treasury, and the world's central banks were in a panic. They pulled out all stops and sabotaged the bill in the Senate, watering it down to a one-time, partial audit. Nevertheless, that "audit" revealed such breathtakingly gigantic plundering of the economy and such rampant corruption and criminality that it could not be quickly swept under the rug. For the first time since the creation of the Fed a century earlier, Congressman Paul and liberty-minded forces were able to focus public attention on the globalist financial mafia that is stealing our wealth, our national sovereignty, and our liberty. The stakes are even higher now, and the American public may be more ripe than ever before to force a full audit of the Fed — as a first step to, ultimately, abolishing it, as well as terminating our membership in and contributions to the IMF.

That means relentlessly pressing your U.S. senators and congressman to support, cosponsor, and vote for the Federal Reserve Transparency Act of 2013 (S. 209 in the Senate and H.R. 24 in the House).



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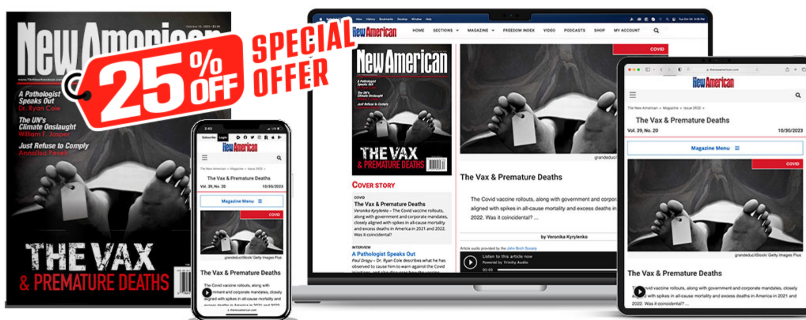

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