



The Global Economic Crisis: 10 Years on

The summer of 2017 is the decade anniversary of the global economic crisis. Lehman Brothers in the US collapsed, Wall Street went into meltdown and the world economy plunged into crisis. Trillions were lost in output (\$22 trillion in the US, within just five years), millions of workers were made redundant and thousands of promises were made by politicians and policymakers – everyone from Barack Obama and Gordon Brown to David Cameron and Christine Lagarde – that things would change. Yet, nearly a decade later, what is most striking is how little has changed. A decade on the underlying issues that caused much of the crisis remain unresolved, whilst the perpetrators have been looked after by the governments in the West with bailouts and Quantitative Easing (QE) – the printing of money.

The world's major economies continue to struggle to achieve sustainable growth, despite years of monetary and fiscal stimulus. Many of the world's premier economies also face long-term structural challenges, including rising debt, aging populations, and inadequate or aging infrastructure.

Much of the cheap money created by the US Federal Reserve, the Bank of England and the European Central Bank (ECB) has been pushed by financial speculators into the higher-yielding markets of South Africa, Brazil and India, among others. Economists at the Bank for International Settlements, the central banks' central bank, believe \$9.8 trillion was pumped out in foreign bank loans and bonds in the first half-decade after the Lehman Brothers collapse.¹ Around \$7 trillion of that was pushed through to emerging markets.

Since the financial crisis in 2007 a range of emergency measures were adopted to not only save the western economies but to save the banking system. There was a very real risk of a widespread banking collapse and a 1930's style depression was also forecast. The bank bailouts included up to \$21 trillion of money and a range of further "unusual" central bank policies followed. All were designed to save the system, save the banks and generate growth in western economies. Despite these measures which included Quantitative Easing (money printing) and the lowering of interest rates to virtually zero, the economic recovery in the West has been painfully slow.

At the Annual World Economic Forum meeting in Davos, Switzerland from January 20th -23rd 2016, World leaders decided to dramatically escalate the War on Cash making it easier for them to impose negative interest rates. Their solution to this "problem" in 2016 was to push the world closer to a cashless society. Central Banks in 2016 started this process by phasing out larger denominations of currency notes, which makes large cash transactions impractical. Former US Senator Ron Paul highlighted: *"The cashless society is the IRS's dream: total knowledge of, and control over, the finances of every single American."*²

One of the most significant events in recent economic history was the leak of 11.5 million documents covering the daily business of the Mossack Fonseca law firm in 2016 which advised the world's largest corporations, dictators, monarchs as well as democratically elected leaders on how to hide their money and avoid tax.

This incident revealed once again and with a treasure trove of evidence that whilst many in the world have been forced with austerity the rich and powerful pay little taxes through the use of offshore accounts. The biggest implications of the leak will come from the light these revelations shed upon the banking and financial system itself. It is not a secret that vast riches are stored in offshore havens estimates include the total sum of hidden assets at 8% of global financial wealth.³ But never before have we had access to the details. And the phenomenon of offshore wealth is a symptom of a more malignant condition. The disparity between rich and poor has been growing for decades, and these giant offshore sums are reflection of that trend.

Western governments saved themselves from economic collapse by bailing out the banks that created the crisis. This was funded by cutting government budgets and social security for the masses under the guise of 'we are all in it together.' They papered over the cracks and continue to propagate their ideology around the world. They continue to present their ideology as essential to solving global poverty and global debt, despite the fact that their very ideology caused the global economic crisis.

**Written for the Central Media Office of Hizb ut Tahrir by
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¹ See, <http://www.bis.org/publ/work483.htm>

² See, <http://www.ronpaullibertyreport.com/archives/the-worlds-first-cashless-society-is-here-a-totalitarians-dream-come-true>

³ Gabriel Zucman, "The Hidden Wealth of Nations, the scourge of tax havens", University of Chicago Press, September 2015