BEHIND THE DRUMS OF WAR WITH IRAN
NUCLEAR WEAPONS OR COMPOUND INTEREST?

by Ellen Brown, November 13th, 2007
http://www.webofdebt.com/articles/war-with-iran.php

On October 25, 2007, the United States announced harsh new penalties on the Iranian military and its state-owned banking systems. Sanctions, bellicose rhetoric and the implicit threat of military action are goads for another war, one that critics fear is more likely to ignite a nuclear holocaust than prevent one. The question is, why is Iran considered such a serious threat? The official explanation is that it is planning to develop nuclear weapons. But the head of the UN watchdog agency IAEA says he has "no concrete evidence" of an Iranian weapons program.[1] And even if there were one, a number of countries have tested or possess nuclear weapons outside the Nuclear Non-Proliferation Treaty, including Pakistan, North Korea, India, and probably Israel; yet we don't consider that grounds for military action. Iran would just be joining a long list of nuclear powers.

Another theory says the push for war is all about oil; but Iran supplies only 15 percent of total Persian Gulf oil exports, and its oil is already for sale.[2] We don't need to go to war for it. We can just buy it.

A third theory says the saber-rattling is about defending the dollar. Iran is threatening to open its own oil bourse, and it is already selling about 85 percent of its oil in non-dollar currencies. Iran has broken the petrodollar stranglehold imposed in the 1970s, when OPEC entered into a covert agreement with the United States to sell oil only in U.S. dollars. As Dr. Krassimir Petrov explained this suspected motive in a 2006 editorial in Gold-Eagle.com:

> As long as the dollar was the only acceptable payment for oil, its dominance in the world was assured, **<u>and the American Empire could continue to tax the rest of the world</u>**. **<u>If, for any reason, the dollar lost its oil backing, the American Empire would cease to exist</u>**. Thus, Imperial survival dictated that oil be sold only for dollars. . . . If someone demanded a different payment, he had to be convinced, either by political pressure or military means, to change his mind.[3]

An interesting theory, but it still fails to explain all the facts. In a March 2006 editorial in Asia Times Online, William Engdahl noted that war with Iran has been in the cards as part of the U.S. Greater Middle East strategy since the 1990s, long before Iran threatened to open its own oil bourse.[4] And Iran is not alone in wanting to drop the dollar as its oil currency. To curb currency risks, Russia is planning to open an Energy Stock Exchange in St. Petersburg next year to trade oil in rubles, something that will have significantly more impact on the dollar than Iran's oil bourse. **<u>Central bankers in Venezuela, Indonesia, and the United Arab Emirates have all said they will be investing less of their reserves in dollar assets due to the dollar's weakening global position</u>**.[5] When those countries switch to other currencies for their oil trades, will the United States feel compelled to invade them as well?

These theories all have some merit, but none of them seems sufficient to explain the war drums. What is so special about Iran? Here is another possibility:

> **Iran poses a serious threat, not only to oil and the dollar, but to a secret financial weapon that keeps a global banking empire in power. . . .**

Compound Interest: Financial Weapon of Mass Destruction

Around 1980, when interest rates were soaring, Johnny Carson quipped on The Tonight Show that "Scientists have developed a powerful new weapon that destroys people but leaves buildings standing – it's called the 17% interest rate." **Compound interest is the secret weapon that has allowed a global banking cartel to control most of the resources of the world.** The debt trap snapped shut for many countries in 1980, when international interest rates shot up to 20 percent. At 20 percent interest compounded annually, $100 doubles in under 4 years; and in 20 years, it becomes a breathtaking $3,834.[6] The devastating impact on Third World debtors was underscored by President Obasanjo of Nigeria, speaking in 2000 about his country's mounting burden to international creditors. He said:

> All that we had borrowed up to 1985 was around $5 billion, and we have paid about $16 billion; yet we are still being told that we owe about $28 billion. That $28 billion came about because of the injustice in the foreign creditors' interest rates. **If you ask me what is the worst thing in the world, I will say it is compound interest**.[7]

What bankers call the "miracle" of compound interest is called "usury" under Islamic law and is considered a crime. It was also a crime under Old English law until the sixteenth century, when Martin Luther redefined the offense of "usury" to mean the taking of "excess" interest. Modern Islamic thinkers are not averse to a profitable return on investment when it takes the form of "profit-sharing," with investors taking some risk and sharing in business losses; but the usurer gets his interest no matter what. In fact he does better when the borrower fails. The borrower who cannot afford to pay off his loans sinks deeper and deeper into debt, as interest compounds annually to the lender.

[Editor's note: This ***interest trap*** snapped shut in the United States in 1933 when the Banking Relief Act was passed. When this bill was being debated in Congress, one Congressman asked what was backing the new currency. The answer was provided by Congressman Patman:

> "Under the new law the money is issued to the banks in return for Government obligations, bills of exchange, drafts, notes, trade acceptances, and banker's acceptances. **The money will be worth 100 cents on the dollar, because it is backed by the credit of the Nation. It will represent a mortgage on all the homes and other property of all the people in the Nation."** - Congressional record,

March 9, 1933, House, Congressman Patman, 73rd Congress, Special Session, Volume 77, part 1, page 83

All of our property has been ***mortgaged*** to the New World Order Bankers for ink on paper (currency). This concludes the editor's note.]

The debt trap that snapped shut in 1980 was set in 1974, when OPEC was induced to trade its oil only in U.S. dollars. The price of oil then suddenly quadrupled, and countries with insufficient dollars for their oil needs had to borrow them from international lenders. By 2001, enough money had flowed back to First World banks from Third World debtors to pay the principal due on their original loans **six times over**; but interest had consumed so much of those payments that the total debt had actually quadrupled.[8] In 1980, median income in the richest 10 percent of countries was 77 times greater than in the poorest 10 percent. By 1999, that gap had grown to 122 times greater. In December 2006, the United Nations released a reported titled "World Distribution of Household Wealth," which concluded that **50 percent of the world's population now owns only 1 percent of its wealth, while the richest 10 percent of adults owns 85 percent**. At interest compounded annually, the debts of the poorer nations can never be repaid but will just continue to grow.

The Private Global Banking Scheme

It is this debt scheme, with its lethal weapon of interest compounded annually, that has allowed a small clique of financiers to dominate the business of the world. In Tragedy and Hope, Professor Carroll Quigley wrote from personal knowledge of this financial clique, which he called simply "the international bankers." Dr. Quigley, who was Bill Clinton's mentor at Georgetown University, said **the aim of the international bankers was "nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole," a system "to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements."**[9] The key to the bankers' success was that they would control and manipulate the money systems of the world while letting them ***appear*** to be controlled by governments.

Most countries have now been brought into this private global banking scheme, with most of the world's money being created by commercial banks in the form of interest-bearing loans. In the United States today, the only money created by the government consists of coins, which compose only about one one-thousandth of the total money supply. Federal Reserve Notes (dollar bills) are created by the Federal Reserve, a private banking corporation, and lent to the government. The vast bulk of the money supply, however, is created when commercial banks make loans. They do this by double-entry bookkeeping:

> The sum of the borrower's promissory note is simply credited as a deposit to the borrower's account and offset with a matching liability on the bank's side of its books.[10] Money creation is now a private affair in most other countries as well. Even where the central bank is technically state-owned, as in the United Kingdom and Canada, the central bank creates only the paper currency of the nation, leaving most of the money supply to be

created by commercial banks as compound-interest-bearing loans.[11]

The alternative to this independent "central bank" system is what used to be called "national banking." A state-owned central bank issued the national currency as an agent of the government, and the government spent the money or lent it into the economy for internal development and public needs. The "seigniorage" on this money -- the difference between the cost of creating it and its face value – accrued to the government, which got the money debt- and interest-free. The goal of the international bankers was to privatize this system and bring it under their control. The central bank would still create the national money supply, but it would lend the money to the government, leaving the government with a massive debt on which it owed interest. Once caught in the debt web, the government could then be induced to privatize other assets, making them available for purchase and control by international finance capital.

At a 1968 meeting of the secretive globalist group known as the Bilderbergers, a U.S. official named George Ball spoke of creating a "world company." Ball was U.S. Undersecretary of State for Economic Affairs and a managing director of banking giants Lehman Brothers and Kuhn Loeb. The "world company" was to be a new form of colonialism, in which global assets would be acquired by economic rather than military coercion. The "company" would extend across national boundaries, aggressively engaging in mergers and acquisitions until the assets of the world were subsumed under one privately-owned corporation, with nation-states subservient to a private international central banking system.[12]

Before World War II, the head of this private global banking system was in England; but it moved to Wall Street with the economic ascendancy of the United States. Under the Bretton Woods Agreements, the U.S. dollar became the world's "reserve currency" along with gold. In 1971, President Nixon took the dollar off the gold standard, and the dollar became the world's reserve currency without that tether. U.S. lenders could create and lend dollars to whatever extent the world could be induced to borrow them. To insure that the lenders got their interest, in the late 1970s the World Bank and International Monetary Fund began imposing "conditionalities" on loans to Third World debtors, requiring them to open up their capital markets, slash spending on social programs, and privatize their industries. Meanwhile, speculative attacks on local currencies that had been left to "float" in foreign exchange markets without the tether of gold caused radical currency devaluations, allowing foreign investors to pick up these privatized assets at bargain basement prices.

When Dominoes Won't Fall

Iran was among the few nations to have escaped this global privatization scheme. Iran had its own oil, and it managed to avoid the trap of speculative currency devaluation by imposing foreign exchange restrictions and price controls on its currency, something it could do because it had adequate foreign exchange reserves from its oil sales.[13] Iran's state-owned oil industry has allowed its economy to perform well, despite economic sanctions and rumors to the contrary.[14] A "reformist" movement toward increased privatization ended with the 2005 election of President Mahmoud Ahmadinejad, a "populist" who has promised to redistribute Iranian oil wealth more expansively and has committed the government to funding public-sector projects and charitable investments.[15]

Islamic scholars have been seeking to devise a global banking system that would serve as an alternative to the usury-based scheme now in control internationally, and Iran has led the way in devising that model. Iran is characterized as a democratic Islamic republic, which enforces Islamic principles not only morally but legally and politically. *The American-backed Shah of Iran was overthrown in 1979, ending 2,500 years of monarchical rule*. All domestic Iranian banks were then nationalized, and the government called for the establishment of an Islamic banking system that would replace interest payments with profit-sharing. Iran's state-owned central bank issues the national currency, with the seigniorage accruing to the government rather than to private banks.[16] The Iranian government is among the few to have very little foreign debt. It uses its state-owned banks to make loans and credits available to industrial and agricultural projects. The most unique feature of the Iranian banking system, however, is that it follows the Islamic proscription against usury. **That means loans are made interest-free**.[17]

At least, that is true in principle. To make their system work with the prevailing scheme, Islamic economists have had to come up with some creative definitions of "interest." Assuming Iran can develop a workable alternative model, however, it might well threaten the usury-based banking system that now dominates international finance and trade. If governments were to start doing what banks do now – advancing "credit" created out of nothing with accounting entries – they could sidestep the hefty interest that is the principal cost of most government programs today. It has been estimated that eliminating interest charges could cut the average cost of infrastructure, sustainable energy development, and other programs in half.[18] Third World economies might finally escape the iron grip of the international bankers, bringing a 300-year global banking empire crashing down.

The size of the stakes was suggested by Tarek El Diwany, a British expert in Islamic finance and the author of The Problem with Interest (2003). In a presentation at Cambridge University in 2002, he quoted a 1997 United Nations Human Development Report which said:

> Relieved of their annual debt repayments, the severely indebted countries could use the funds for investments that in Africa alone would save the lives of about 21 million children by 2000 and provide 90 million girls and women with access to basic education.

El Diwany commented, "The UNDP does not say that the bankers are killing the children, it says that the debt is. But who is creating the debt? The bankers are of course. And they are creating the debt by lending money that they have manufactured out of nothing. In return the developing world pays the developed world USD 700 million per day net in debt repayments." He concluded his presentation:

> But there is hope. The developing nations should not think that they are powerless in the face of their oppressors. Their best weapon now is the very scale of the debt crisis itself. A coordinated and simultaneous large scale default on international debt obligations could quite easily damage the Western monetary system, and the West knows it. There might be a war of course, or the threat of it, accompanied perhaps by lectures on financial morality

> from Washington, but would it matter when there is so little left to lose? In due course, every oppressed people comes to know that it is better to die with dignity than to live in slavery. Lenders everywhere should remember that lesson well.[19]

That could explain the big guns trained on Iran, and the tightening of economic sanctions against it. Dominoes that won't fall into the debt trap must be pushed. Like in the brutal attacks in Lebanon in July 2006, the military targets in Iran are liable to be economic ones – ports, bridges, roads, airports, refining infrastructure.[20] The threat posed by Iran's alternative economic model will be obliterated by blasting it back into the Stone Age.

[Editor's note: If we fully understand what has been presented herein, we begin to realize that the American military is NOT the military of the United States, it is the military of the New World Order Global Elite! This would extend to other countries controlled by the New World Order Global Elite as well.]

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