# Behind the Drums of War with Iran: Nuclear Weapons or Compound Interest

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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, what makes Iran 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 Moreover, 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.22 We don't need to go to war for it. We can just buy it.

A third theory says the saber-rattling is all 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 potential 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, and the American Empire could continue to tax the rest of the world. If, for any reason, the dollar lost its oil backing, the American Empire would cease to exist. 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. 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.5 Those countries are liable to switch to other currencies for their oil trades as well. Will the United States feel compelled to invade them all?

Each of these theories has some merit, but none of them seems to adequately explain the war drums. What is so special about Iran that keeps it squarely in the cross-hairs of the U.S. military? Here is another possibility: besides oil and the dollar, Iran poses a serious threat to a secret financial weapon that keeps a global banking empire in power . . . .

**The Bankers' 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[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

In the late 1970s, the World Bank and International Monetary Fund began imposing "conditionalities" on loans to Third World debtor countries, requiring them to open up their capital markets, privatize their industries, and slash spending on social programs to insure that international lenders got their interest. By 2001, enough money had flowed back to First World banks from Third World debtors to pay the principal due on these loans six times over; but interest had consumed so much of those payments that the total debt actually quadrupled during the same period.8[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. Under current conditions, the debts of the poorer nations can never be repaid but will just continue to grow.

**Miracle or Crime?**

What bankers call the "miracle" of compound interest is called "usury" under Islamic law and is considered a crime. In the sixteenth century, Martin Luther redefined "usury" to mean the taking of "excess" interest; but under Old English law, taking any amount of interest was a crime. Modern Islamic thinkers are not averse to a profitable return on investment if 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. In The Coming First World Debt Crisis (2006), Ann Pettifor gives this modernized definition of "usury":

Usury is the practice of exalting money values over human and environmental values; of

creating money at no cost and lending at rates of interest intended not to foster and maintain humanity or the ecosystem, but to

a) accumulate reserves of unearned income;

b) extract wealth from the productive sector in a manner that is parasitic;

c) extract wealth from those who lack wealth (the asset-less); and

d) make a claim on the future.

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, Bill Clinton's mentor at Georgetown University, wrote from personal knowledge of this group, which he called "the international bankers." He said their aim 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."99 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*.

The majority of the world has now been brought into this private central banking scheme, with private banks creating most of the money of most countries as interest-bearing loans. In the United States, the only money created by the government today 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; while the vast bulk of the money supply is created by commercial banks when they make loans, something they do by advancing "credit" created with accounting entries. Similar arrangements prevail in most countries. Even where the central bank is technically state-owned (as in the United Kingdom and Canada), it creates only the nation's paper currency, leaving 95% or more of the money supply to be created by commercial banks.10

The alternative to this independent "central bank" system is what used to be called "national banking." The nation's state-owned central bank issued the national currency as an agent of the government, and spent the money or lent it into the economy for internal development and public needs. The goal of the international bankers was to "privatize" these state-owned banks and other state-owned or locally-owned assets, making them available for purchase and control by international finance capital. At a 1968 meeting in Canada of the secretive globalist group known as the Bilderbergers, George Ball, U.S. Undersecretary of State for Economic Affairs, spoke of creating a "world company." Ball was also a managing director of banking giants Lehman Brothers and Kuhn Loeb. The world company of which he spoke would 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.11

The first step in the process of prying resources loose from local economies was to induce national leaders to open up their capital and currency markets. In 1971, President Nixon

took the U.S. dollar off the gold standard, making it the world's "reserve currency" without the tether of gold. Dollars could then be created and lent to whatever extent lenders could find borrowers for them. In 1974, OPEC was induced to enter into an agreement to trade its oil only in U.S. dollars, and the price of oil then suddenly quadrupled. Countries that did not have the dollars they needed to buy oil had to borrow them. The IMF then imposed its "conditionalities," including the privatization of state-owned oil industries and banks. In the ensuing decades, this and other predatory lending schemes brought most of the world under the heel of the international bankers.11

**When Dominoes Won't Fall**

Iran was among the few nations to have escaped this global privatization scheme. Iran had its own oil. It managed to avoid the trap of letting its currency be devalued by speculators by imposing foreign exchange restrictions and price controls on its national currency (the *rial*), something it could afford to do because it had adequate foreign exchange reserves from its oil sales.12 Iran's state-owned oil industry has allowed its economy to perform well, despite economic sanctions and rumors to the contrary.13 A "reformist" movement toward increased privatization ended in 2005, when Mahmoud Ahmadinejad was elected to the presidency. Ahmadinejad is 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.14

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 1979 revolution overthrowing the American-backed Shah of Iran ended 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. Its state-owned central bank issues the national currency, with the "seigniorage" (the difference between the cost of producing money and its face value) accruing to the government rather than to private banks.15 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 banking system, however, is that it follows the Islamic proscription against usury. That means *loans are made interest-free*.16

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.

Estimates are that eliminating interest charges could cut the cost of infrastructure, sustainable energy development and other government programs in half.17 Third World economies might then escape the grip of the global 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.18

That could explain the big guns trained on Iran. The intent may not be to thwart the development of nuclear weapons so much as to pluck a budding economic alternative out by its roots before it has a chance to spread. 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, refiners.1920 The threat posed by Iran's economic model will be obliterated by blasting it back into the Stone Age.

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**Notes**

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