

Editorial

The U.S. banking system is bankrupt

Despite the puff pieces from the G-7 summit and other sources with a vested interest in fooling people, the much-vaunted recovery is about as real as the tooth fairy. In fact, many Americans are now so poor that their children no longer benefit from that pleasant conceit.

U.S. debt has reached astronomical proportions, requiring something in the order of \$500 billion for new issues plus refinancing. The estimated budget deficit of the government for next fiscal year—not counting “off-budget” bank bailouts—is in a similar range. This is the context for the announced merger of New York’s Chemical and Manufacturers Hanover banks, and for the failure of the 18th-largest American insurance company, which has asked to be taken over by the State of New Jersey. In this instance, policy-holders are definitely suffering, as cash redemptions and withdrawals are frozen until at least the beginning of next year.

With state and local governments throughout the United States forced to lay off their employees, or ask them to accept payless paydays, the ability of a state such as New Jersey to rescue insolvent insurance companies is questionable. For example in Illinois, 10,000 state employees failed to receive a paycheck due them on July 15.

In 1982, Lyndon LaRouche proposed a financial reorganization which would have saved U.S. banks. Today such a proposal can no longer work. In his opinion, the U.S. banking system is no longer salvageable. What is needed instead is that the American population “bite the bullet” and recognize that they too will have to pay the price of financial insolvency as their pension plans and other savings are frozen or simply disappear, as other financial institutions go under.

We can certainly be sorry for people who have worked their whole lives to guarantee their children’s education or a dignified old age for themselves, but on the other hand, these same people were content to wear blinders year after year, despite our warnings to them. As long as it seemed that it was the other guy who was paying, they were unwilling to make the kind of sacrifices

required to swim against the tide and tell the truth.

These are the sacrifices demanded from those who place a higher value upon serving truth and morality than on pursuing their own and their family’s immediate personal security. Such sacrifices have long been accepted by Lyndon LaRouche and his associates. That spirit of sacrifice also characterized the leaders who built and preserved the United States, such as Benjamin Franklin, George Washington, and Abraham Lincoln.

There is no longer a way to save grandpa’s savings. It’s gone. Ten years of economic malpractice have ruined it all. The failure of grandpa and the rest of the U.S. population to put LaRouche in office in 1980 or 1984, has put their life’s savings in jeopardy. Now they will pay the price, just as LaRouche is still paying the price of political martyrdom, sitting in jail for almost three years.

There’s no solution except a radical one: returning to Hamiltonian national banking, while letting the existing Federal Reserve central banking system collapse, along with everything in it. We cannot bail it out—it’s just too big. Bailouts of the banks are now worse than the collapse. Now, unlike in 1982, to make the United States a viable economic prospect again it is necessary to let the savings be wiped out—personal as well as corporate.

We need to have an alternative in place so that we can rapidly put a viable national banking system in place at the point of collapse, with the central feature being a Third National Bank. U.S. banks want the free market for everyone else and subsidies for themselves; they should be given a taste of their own medicine. Let the free market reign in the financial sector, and the U.S. banking system will be seen to be bankrupt. At the moment the banks are being propped up by a massive, runaway escalation of U.S. debt. This is siphoning off much-needed capital from the rest of the world, to prop a system which is no longer viable. This cannot last forever. The longer we defer returning to the sound principles of Hamiltonian and LaRouchian economics, the greater the price we will end up paying.