‘THEY WOULD DIE TO END THEIR PAIN!’

Pennsylvania Banker Howls

by Lyndon H. LaRouche, Jr.

October 3, 2007

When would a banker beg, “Let us die to end our pain”? On October 2, 2007, Daniel J. Reisteter, Vice-President of the Pennsylvania Bankers’ Ass’n, uttered a wild-eyed screech of pain, in reaction to the surging support for the draft Federal legislation in defense of the nation’s imperiled householders and bankers. Reisteter’s outburst (“You peeked!”) suggests, that he ought to calm himself by reflecting on Robert Burns’ celebrated reference to the case of a louse on the bonnet of a woman in church: Mr. Reisteter should see himself as others see him, and, then, perhaps, the pain of fearing that others might discover his true self, would go away.

Contrary to the manifest import of my adversary Mellon Scaife’s postures, there have been two distinct classes of general financial crises in recent U.S. history.

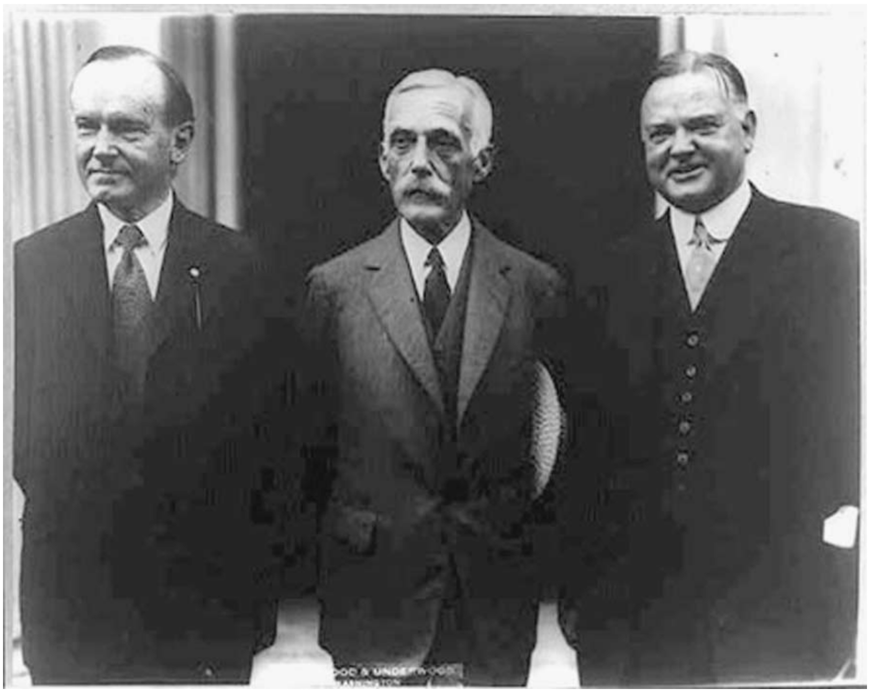
1. *In the simpler, relatively ordinary case*, the crisis was caused by vicious violations of relatively sound, generally accepted rules of practice. For such cases, enforcement of existing law and policy, as typified by the Preamble of the U.S. Federal Constitution, would provide the essential remedy.

2. *In the worse type of case, as now,* we are experiencing what are to be classed as *systemic* catastrophes, such as that 1929-1933 crisis promoted by the follies of Mellon Scaife’s predecessor, former Treasury Secretary Andrew Mellon. The presently onrushing breakdown-crisis in the world economy, like that systemic crisis of 1929-1933, is a product of a fanatical quality of adherence to today’s generally accepted, post-1968-1981, virtually axiomatic rules of current national legislation and economic practice. In this type of case, as now, survival of the economy depends upon both a radical overturn of the currently accepted rules of economic behavior, which are the cause of the problem, and a return to the principles of constitutional law employed by President Franklin Roosevelt.

In brief: in the first type of case, *the error is the result of failing to adhere to reasonable, established rules of behavior*; in this present, contrasted type of case, the crisis has been created by about forty years of increasing U.S. and European, post-1968 mass-insanity in leading philosophies of the governments of North America and western and central Europe.

In the present case, which Reisteter’s wild-eyed behavior typifies, *the source of the problem is Classically tragic; it is the result of adhering to the misfortune inhering in what have become today’s currently, generally accepted principles of monetary, economic, and national legislative practice*. In the case of the presently onrushing, general economic breakdown-crisis progress, the cause of the presently onrushing economic disaster, is those radical changes in policy which have become customary and also official practice, since the radical changes in economic and related policy, for the worse, under the successive Nixon, Ford, and Carter Administrations of 1969-1981.

Under these present conditions of crisis, the behavior of the U.S. Congress which was elected, enthusiastically, in November 2006, has subsequently disgraced the new Congress to a level of spreading popular contempt matching the previously existing, widespread popular contempt for the Bush-Cheney Administration. The Congress has not only cringed before implicitly corrupted leaders who protect the widely hated Vice-President Dick Cheney and ideologues such as the Cheney war-party’s Felix Rohatyn, but has acted with aggravated, collective psycho-sexual impotence on



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Time to slice a Mellon! Here, Secretary of the Treasury Andrew Mellon (center), with President Calvin Coolidge (left) and Secretary of Commerce Herbert Hoover. Mellon promoted the 1929-1933 systemic financial-economic crisis—the type of crisis that his descendent, Pennsylvania's Richard Mellon Scaife, today denies to exist.

the grave economic issues of the currently escalating national social-economic crisis.

A few prefatory observations are needed to situate the case immediately before us.

There are some extraordinary difficulties in carrying out such an urgently needed, immediate reform. No recovery from this present crisis would be possible under any continuation of the presently prevailing standards of Federal law-making. There is no way in which the rules of the game under post-1981-1989 practice, could be tolerated at this presently advanced state of the ongoing, world breakdown-crisis. The change from the presently corrupt, self-doomed system, back to the standard of the Franklin Roosevelt Administration, would represent a break from the current system, to a new system based, once again, on the original principles of our Federal Constitution.

That means, that we require a sudden break from the presently, hopelessly self-doomed system, to a new system. This requires an historic moment of suspension of settlement of certain classes of capitalized claims. We must create a gap of several years, a gap which allows us to start up the new system, without any break in essential day-to-day economic life, before clearing up the held-over accounts in orderly bankruptcy proceedings. That indispensable measure is the essential, simply stated provision of the presently pending Federal emergency legislation designed to protect householders and essential Federal and State banks.

Poor Mr. Reisteter

A certain kind of compassion toward Mr. Reisteter is required from us, if we are to judge the silliness of his not exactly honest behavior appropriately. Clearly, he has done what he is being told to do. Under those obvious conditions, we must assume that he is neither as foolish as he appears to be, nor as honest as he would have his credulous readers believe; he is, as it is said, "just doing his job." Thus, his written statement can not be regarded as exhibiting any competence in his choice of subject-matter; rather, he plays the stooge's role as a hit-man. Privately, he may be a much more decent fellow than the slimy Uriah Heepish creature he appears to be in the statement he has just uttered.

Therefore, if you are to assess Mr. Reisteter's current behavior with both competence and reasonable compassion, you must think of him as a minor character who has been captured by the stage of a Classical tragedy. Which is to say, that to understand the nature of the crisis which grips the world as a whole right now, we must consider the historical precedents for the type of systemically existential crisis which threatens to destroy our nation at this time; crises in the tradition of such Classical tragedies as those of the ancient Aeschylus and the modern Shakespeare, and Schiller, and see Mr. Reisteter as a minor player on such an historical stage.

Thus, on stage, Mr. Reisteter's is not that of a would-be Emperor-Nero type such as the ever-thuggish Mr. Mellon Scaife; our Mr. Reisteter fits the role of a relatively minor tragic figure, of the sort which might be compared to that Casca of Shakespeare's ***Julius Caesar***, who said of an address by Cicero which he had just heard, "…it was Greek to me." When we read Vice-President Reisteter's lackey-like sophistical blather on the subject of the currently zooming world financial crisis, we should gently consider him as performing the assigned role of a fool on stage, playing the part of a figure for whom even the most obvious realities of current economic reality itself are strangely "Greek to him."

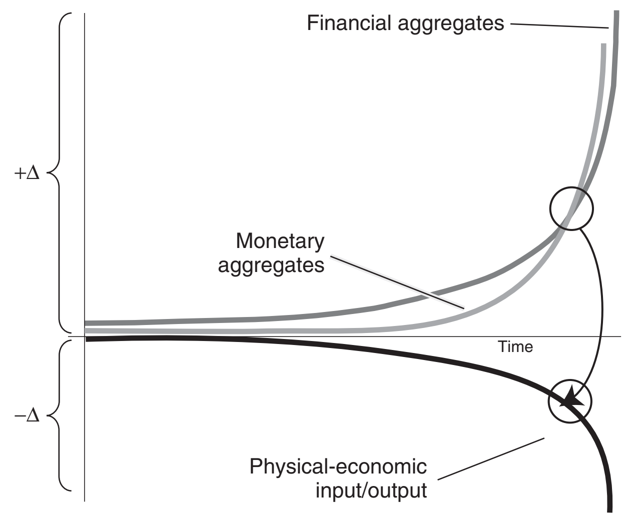
Mr. Reisteter, in his currently adopted role as the Vice-President in charge of his institution's complaint department, was not put on stage to think, but simply to distract and confuse the credulous.

Contrary to Mr. Reisteter's denial of what is in fact elementary reality, the presently onrushing, global financial-monetary breakdown-crisis is a systemic, and also global crisis. It is not a crisis produced by some local violations of the adopted rules of the system; it is a general breakdown-crisis for which there is no happy ending in sight *within the terms of the present system*. It is a permanent breakdown of that system as such: it is a crisis caused, chiefly, by nothing as much as decades-long adherence to the currently taught and practiced rules of the leading financial interests of our planet. The sick system can not be saved; it can only be replaced, and that only if we act in time to make the needed change in the rules.

The relatively more immediate features of this present global breakdown-crisis, can be traced to the reckless and savagely ruinous policies introduced by incoming Federal Reserve Chairman Alan Greenspan following the "1929-like" October 1987 stock-market crash. In such a case, when in 1929, or from 1987 onward, sticking to prevalent current standards of practice, as U.S. Presidents Coolidge and Hoover did, or, or much worse, as Alan Greenspan did, tends to bring on Classically tragic consequences, consequences of presently awesome, global, existential implications for mankind as a whole.

In such a crisis, only a remedy modeled on the precedent supplied by President Franklin Roosevelt, a sweeping change in the rules of the system, could prevent a general, physical as much as financial breakdown of the present world monetary-financial system.

FIGURE 1
The Collapse Reaches a Critical Point of Instability



The Actual Crisis

The essential fact of the present world situation, is that we, in the U.S.A. itself, are presently gripped by both the breakdown-phase of a global financial-monetary system and also physical-economic crisis. We, to a large degree, as western and central Europe have done, with our post-1968 plunge into a so-called "globalized" post-industrial economy of Europe and North America, have stripped our economies, increasingly, of what had been the leading portion of the entire planet's physical-productive activity; in this way we have come under the influence of the current form of the British Empire and its BAE appendages, to depend increasingly on the financial charity and leniency of those developing nations, such as China, to which we have exported a major portion of what had been formerly our agricultural and industrial might.

Under this recent practice of U.S. national economic lunacy, called euphemistically "globalization," the financial economies of North America and western and central Europe, have become the leading edge of a global system of accelerating hyperinflation, in a world economy resting upon a declining mass of net physical output of the world at large.

Figure 1 illustrates the essential elements of the trend in North America and both western and central Europe, since about 1995-1996. The physical output, per capita and per square kilometer, has been collapsed at an accelerating rate, while the prices of commodities actually produced by these economies have been increased by the combined effect of increasing price-inflation of the margin of output generated within those economies, and inflationary expansion of both monetary and financial outputs.

This effect upon the internal economies of North America and of western and central Europe, was temporarily moderated by physical looting of the territories of the former Soviet Union and Comecon states, and, by increasing reliance on cheap labor of the territories of South Asia, Africa, and South and Central America, this especially since the middle of the 1990s. Thus, there has been an actually accelerating decline in net physical output, per capita and per square kilometer, world-wide,

Recently, this trend in "globalization" and so-called "environmentalism," has destroyed the productive potential of the planet by means of what has become an actually hyperinflationary bubble of a type reminiscent of the 1923 hyperinflation in Weimar Germany.

The effects inside the U.S.A. itself, include a wasting away of the principal agricultural and industrial regions, per capita and per square kilometer of territory, with an accelerating financial-speculation-driven hyperinflationary expansion of outstanding monetary-financial obligations. This process has been dominated by an emerging state of affairs, in which unpayable masses of nominal financial debt have come to represent the principal mass of actually unpayable obligations on which the valuation of existing, nominal masses of financial assets depends.

Now, since July 2007, that great global financial bubble has just been popped. A global condition, especially concentrated in North America and western and central Europe, has reached the verge of a stage of ripeness for a collapse, on an approximately global scale, akin to that which struck the locality of Weimar Germany during October-November 1923.

Clearly, and simply, the greatest portion of the mass of financial obligations currently outstanding world-wide, will never be paid, and never could be paid within the terms of the present world system. As the obscene madness of the London-directed "hedge-fund" pandemic illustrates the point, the attempt to enforce payment now, would not be a mere world depression, but a presently already onrushing general breakdown-crisis, planet-wide, which were likely to reduce the world's population by as much as eighty percent or more during the two to three generations immediately ahead, unless appropriate forms of radical rescue-measures were adopted now.

Obviously, all sane and moral persons of this planet as a whole will prefer to rely on those radical rescue measures. We may rescue the planet for a pleasant future, but only on the condition that we wipe debts based on purely speculative forms of parasitical practices "from the books of account." This might be characterized as measures of protection of honest assets and productively useful capital, while wiping the gambling debts of the foolish from the books of account.

Sane Citizens Must Agree

The necessary rescue measures must be done in an orderly fashion. First of all, people must be safe in the occupation of their homes, despite the presently vastly inflated mortgage-bubbles, and those types of banks on which ordinary life and commerce depend, our pre-1977, traditional, anti-usury form of regular national and state banks, must be protected in the performance of what had been earlier their traditional function. Without the social-economic bedrock typified by that protection of households and banking, as under the intention of the Preamble of our Federal Constitution, civilization as we have known it during the span of recent generations, could not continue.

That is the meaning of ***The Federal Homeowners and Bank Protection Act of 2007***.

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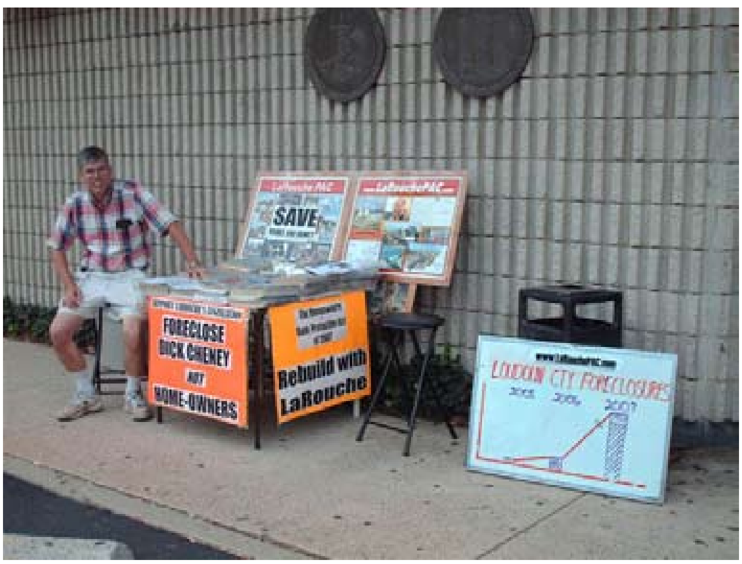
At the present moment, it would be impossible to determine the true value of any property used as a residence. The remedy for this difficulty, is to freeze the mortgaged residence as a yet-to-be priced, shared asset of the householder and the relevant Federal or State bank which can be classed as a reliable type of institution for managing the relevant mortgage over the period of several years to come, pending the time, under stabler economic conditions, when a fair value can be assessed.

In the interim, our duty as a nation is to keep the resident in possession and to secure the position and normal functioning of the relevant banking institutions. In other words, we act to freeze the relationship between the household and the relevant bank; both must enjoy Federal protection under appropriate law adopted for this purpose. The householder will pay a reasonable monthly fee to the relevant bank, and the bank itself will be protected in the performance of its normal function under the kind of society we were prior to, for example, 1968.

Without such protectionist measures, a community such as the particularly vulnerable Loudoun County must tend to disintegrate, together with its governmental functions, very rapidly.

In the meanwhile, we must build our way back into being a protectionist form of sovereign nation-state economy, within a system of relatively fixed exchange rates among national currencies. We must transform our economy into being a technologically progressive form of agro-industrial productive society, away from the tutti-frutti London, Cayman Islands, and Wall Street financial schemes and scams which have taken over during the recent period of nearly four decades.

We shall choose those courses of action for what is essentially one sound reason of self-interest, our de-



EIRNS/Robert Baker

A LaRouche PAC organizer in Northern Virginia builds support for LaRouche's "Homeowner and Bank Protection Act of 2007." The area has been hard-hit by the collapse of the housing bubble.

sire to return to a sane form of existence for ourselves and our posterity, once more.

This present state of affairs demands a general reorganization-in-bankruptcy of financial accounts world-wide. There was a time when leading nations knew how to manage affairs so; we must choose to become that again, or else…

Reisteter's Letter

On Oct. 2, the Pennsylvania Bankers Association sent a letter to 41 of that state's legislators who are co-sponsoring House Resolution 418, which calls on Congress to enact the LaRouche PAC's Homeowners and Bank Protection Act. The foreclosure problem is limited to a small portion of the subprime market, the PBA says, and the banks are doing fine. Here, with the original emphasis, are excerpts of the letter from Daniel J. Reisteter, Vice President for Government Relations of the PBA, "Professionals Dedicated To Your Success":

I am writing on behalf of the Pennsylvania Bankers Association to express our deep concerns and correct some of the assertions made in House Resolution 418, introduced by Rep. Harold James today. House Resolution 418, of which you are a co-sponsor, is being promoted by the Lyndon LaRouche organization. It would memorialize Congress to take emergency action to protect homeowners and banks and enact a Homeowners and Banks Protection Act.

The Pennsylvania Bankers Association represents approximately 200 financial institutions of all sizes located throughout the Commonwealth including national and state banks, bank and trust companies, trust companies, savings institutions and their subsidiaries and affiliates.

PBA **strongly** disagrees with the assertions in the resolution that *"The onrushing financial crisis involving home mortgages, debt instruments of all types and the banking system of the United States threatens to set off an economic collapse worse than the Great Depression of the 1930s"* as well as *"This financial crisis threatens the integrity of both Federal and State chartered banks…"*…

Current conditions: To provide context, it helps to know the problem's dimensions. **Thirty-five percent of homeowners own their own home free and clear of a mortgage. Of those with mortgages, 94 percent are paying on time.** The problem lies within the subprime market, which is about 14 percent of the total market—only 85 percent of subprime borrowers are paying on time. The resetting of ARMS in all markets has caused and will continue to cause delinquencies. Home equity loans have also had trouble as the high loan-to-value of the entire debt is bumping against the falling housing prices in many markets.

Banks didn't cause this crisis, and it is the health and strength of the nation's banking industry that has kept it from being much worse….

Most of the foreclosures we're seeing today are the result of particularly risky loans made by loosely regulated players in the mortgage market or because of worsening economic conditions in some regions.

• **In the subprime market—which constitutes 14 percent of the total housing market—roughly 85 percent of subprime loans are being paid on time. That shows that most subprime borrowers have good loans they are capable of paying….**

The loan portfolios at federally insured banks and savings institutions are mostly untouched by the current subprime mortgage debacle.

Federally insured banks and savings institutions are very sound today and will be able to weather this economic downturn….

Every bank will do its best to help customers who are overextended due to a subprime loan obligation from another lender. Unfortunately, many of these problems—created outside the banking system by loosely regulated participants in the mortgage market—will simply be impossible to fix.

Because federally insured banks and savings institutions maintained prudent lending practices throughout the real estate boom of the past few years, they will be able to keep mortgage dollars flowing to communities large and small….

• While federally insured banks and savings institutions don't require perfect credit for a mortgage, they aren't going to make a loan that subjects the borrower or the bank to excessive risk.

In spite of recent bad news about subprime lending, the majority of borrowers with subprime loans are successful in buying a home and rebuilding their credit.

• Subprime mortgage loans were developed for borrowers with credit histories that disqualify them from standard mortgage loans. Subprime loans are not inherently "bad" or "predatory"—they are just less than Grade-A.

• The market works best when a wide range of options is available. Subprime loans used carefully and in the right situations are a viable option for some homebuyers.

• It's possible to rein in the irresponsible behavior of unregulated mortgage lenders without cutting off flexibility for borrowers with special circumstances….