

A Volcanic Eruption Against the Bailout

by Jeffrey Steinberg

“We have a looming French Revolution on our hands.” These were the comments of Lyndon LaRouche on Sept. 26, assessing the massive, volatile reaction, on the part of the lower 80% of the American people, to Treasury Secretary Hank Paulson’s demands for a \$1 trillion taxpayers’ bailout of the super-rich. “Suddenly, with this Paulson atrocity, the vast majority of Americans, particularly the blue-collar segment of the population, woke up to the reality of the worst financial and economic crash in modern times. As I had reported in July 2007, the crash had already happened. But people were in denial, until the collapse of the banks made it impossible to ignore reality any longer. It is like Rip Van Winkle.”

This social explosion, as LaRouche described it, began within moments of Paulson’s Sept. 19 announcement of the Bush Administration’s proposed \$700 billion taxpayers’ bailout of the Wall Street and London speculative bubble. By Sunday, Sept. 21, the American public had erupted in spontaneous, coast-to-coast rage against the scheme. Lawmakers, particularly Democratic Senators



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A LaRouche PAC organizer in Chicago on Sept. 24 demonstrates against Treasury Secretary Paulson’s bailout swindle, which will solve nothing.

and Congressmen, who had initially rushed to embrace Paulson as the savior of the financial system, suddenly found themselves caught between the vise grip of Wall Street’s hysterical demand for a quick fix, and the pent-up anger of average Americans at the total failure of Washington to deal with their life-and-death needs.

On Sept. 19, within moments of the Paulson press conference making his \$700 billion pitch, Democratic Presidential candidate Barack Obama had thrown his support behind the Secretary and his scheme. (Paulson had, unbeknownst to the American people, already appropriated an estimated \$500 billion from the Exchange Stabilization Fund, enabling him to avoid a demand for well over \$1 trillion.) Sen. John McCain, in an early morning speech in Green Bay, Wisconsin the same day, had taken a more cautious and skeptical approach, even daring to suggest that the Treasury

Department and the Federal Reserve ought to get back to their core functions: defending the value of the dollar and fighting inflation.



EIRNS/Will Mederski

The LaRouche PAC distributes a pamphlet titled "Tantamount to Treason" during the morning rush-hour in Washington, D.C. on Sept. 16.

By Monday, Sept. 22, when Congress returned to Washington, according to a half-dozen offices, the phones and fax machines and e-mail folders were piling up with constituent reactions. And the reaction was brutal, and almost 100% opposed to the bailout. By mid-week, Sen. Diane Feinstein (D-Calif.) reported that she had received more than 38,000 calls from constituents, with fewer than 100 of the calls supporting any form of bailout. Pennsylvania's Rep. Paul Kanjorsky (D) confided to Capitol Hill colleagues, "I have been getting two kinds of constituent reactions. Half have been saying 'no bailout,' and the other half have been saying 'Hell, no bailout.'"

On Friday, Sept. 26, another earthquake struck, when British Prime Minister Gordon Brown, in New York City for the United Nations General Assembly, admitted that he was coming to Washington "to collect" on Britain's share of the cash. A day earlier, LaRouche had issued a strongly worded statement, through the LaRouche Political Action Committee website, exposing and denouncing Bush's bailout of his "Brutish friends." The same day that Brown let the cat out of the bag, the London *Times* reported in detail, that a half-dozen British banks, led by the old Dope, Inc. institu-

tion, HSBC (formerly Hong Kong and Shanghai Banking Corp.), would be demanding 25% of Paulson's \$700 billion bailout down payment, to save the City of London from certain doom.

A typical reaction came from a retired Florida police officer, with a blue-collar family background, who contacted *EIR* and demanded to know, "Did Gordon Brown actually come here and demand \$100 billion in our tax dollars? This is absolutely outrageous, and it is also criminal. Nobody is going to sell that bill of goods to us. I thought that, sooner or later, Paulson would surface with the foreign bailout!"

Class Warfare

LaRouche described the explosive popular reaction against the bailout as a "form of class warfare."

"There is a true clash of values. Congress, and the Bush Administration," LaRouche explained, "are dominated by the '68'er' values, which rejected the American tradition of agro-industrial progress. They rejected—outright hated—blue-collar work, and, instead, went off on wildly anti-scientific swindles, like radical environmentalism, globalization, and the whole post-industrial madness. But these were the people who marched through the institutions, into the top jobs, including as lawmakers.

"Now, all the failed policies of the past 40 years have come home to roost, and the population is in a state of absolute revolt. Fortunately," LaRouche concluded, "we do not have to go through the violence of the French Revolution. We had our revolution here in the United States, and our Constitution provides all the necessary solutions to this crisis. We can go through an orderly bankruptcy reorganization, just as Franklin Roosevelt did in 1933. We can rebuild our way out of the crisis, born of 40 years of 68er insanity.

"But, if we do not adopt the solutions I have spelled out, and soon, we could go into the kind of social chaos that marked the French Revolution. If that happens, I pity the poor members of Congress and the Bush Ad-

ministration, who are going to bear the brunt of that fury.”

Other Sane Voices

For a variety of reasons, a bloc of Congressional Republicans have balked at the Paulson bailout and, in effect, have broken free from the Bush-Cheney White House grip. This has created a serious problem for House Speaker Nancy Pelosi (D-Calif.), a fanatical backer of the White House bailout scheme. With a Democratic majority in both Houses, Congress can pass the bailout package without Republican support. But the political consequences of doing such a bailout will be fatal for the Democratic Party, in an election year that was supposed to be a Democratic landslide.

But beyond the popular upsurge, and the reactions from some “less insane” Republican legislators, one of the sharpest attacks on the bailout came from the labor movement.

On Sept. 26, the day that the New York City Central Labor Council called a rally on Wall Street to protest the bailout, Thomas Buffenbarger, the president of the International Association of Machinists (IAM), issued a statement demanding that the crooked speculators be hauled off to jail.

Under the blunt headline, “Just Say No!” Buffenbarger declared:

“For the last eight years, the Wizards of Wall Street have operated an international Ponzi scheme. They created a blizzard of paper derivatives, collateralized debt obligations, structured investment vehicles which they sold to the global gurus of high finance.

“The Wizards made a conscious choice to manufacture what is now non-investment grade paper rather than manufacture consumer products. And by creating and trading in commercial paper confetti, they made billions in profits for their firms and millions in bonuses for themselves.

“But like all Ponzi schemes, their get-rich-fast machine ground to a halt. The lubricants—timely lower interest rates and constant infusions of liquidity by the Federal Reserve and other central bankers—dried up. And now, after eight years of global hyper-greed, an

estimated 47 trillion dollars worth of worthless paper is raining down on Wall Street and the bourses of the world.

“The deeper that sea of bad debt gets, the more frantic become their cries of ‘rescue me.’ This is not an American phenomenon. Virtually every member of the G-8 is impacted by this downpour of debt-based terror.

“And yet, for the last fifteen months, the Federal Reserve, the U.S. Treasury Department and their counterparts on five continents have failed repeatedly to prevent the collapse of this Ponzi scheme. Not that they haven’t tried. Together, the central bankers have increased liquidity by over a trillion dollars; let non-bank firms borrow at below prime rates; picked winners and losers; and consistently deprecated the true dimensions this crisis.

“Now, the same government officials who said, ‘Let us handle it, we know what we’re doing,’ are saying something very different. Treasury Secretary Hank Paulson and Federal Reserve Chairman Ben Bernanke are running down the street shouting, the vaults empty; the money’s gone.

“They want Americas workers, businesses, and taxpayers to fill the void, to purchase an undeterminable, unfathomable, and unknowable amount of debt from the single largest financial failure since the South Seas Company collapsed in the 1700s.

“These two George Bush appointees are demanding that Congress pass a \$1,000,000,000,000 bailout package. They want the money in a small bill in the next ninety-six hours, or else.

“I urge Congress to Just Say, NO! It is bad enough that Bernanke and Paulson were in cahoots with the bank robbers. But by pointing a gun at the American people and demanding more than all the gold in Fort Knox (and the New York Federal Reserve Bank), they are abetting the wildest bank robbery ever.

“Make no mistake. This is a bank heist, nothing more, nothing less. And the Federal Bureau of Investigation should be the first responders.

“Those Wizards of Wall Street should be arrested, their computers, bank accounts and records seized, their rights read to them, and their cases placed on a rocket docket. They should be treated as the common criminals they have become.

“We cannot undo the damage they have done to our economy. But we can turn a massive bailout into a monumental jail-in.”



Thomas Buffenbarger