

No Bailout, No Bail! Pass the HBPA Now!

by John Hoefle

Lyndon LaRouche has some advice for the two Presidential candidates, and for all candidates running in the coming elections: Stand up and denounce the Bush/Paulson bankers' dictatorship bailout scheme. The American public has made their position loud and clear: *No bailout for the parasites of Wall Street.*

"What's going to be decisive is who gets up first and denounces this crap the loudest," LaRouche said. "This is not a matter to sit back and watch what happens: The question is who makes the loudest noise in protest against this swindle, and calls it a swindle. That's the key. The guy who calls it a swindle first, is ahead!"

The public outrage has already gummed up the works considerably, with Congress being flooded with so many calls and e-mails that some Congressional e-mail servers crashed. Both the Bush Administration and the Congress know the public has overwhelmingly rejected the swindle, and Paulson has already made some compromises.

Now that we've got them scared, LaRouche said, we should push them even harder. There can be no compromise, no deal. Our demand is: *Stop the bailout, and stop it now!*

Caught in a Trap

The Bush Administration and Secretary Paulson have fallen into a trap of their own making. They have made it clear to everyone that the financial system is doomed, that all their past bailout operations have failed, and that only a massive injection of taxpayer cash into the financial system will stop it from collaps-

ing completely. They have admitted, with their actions, that LaRouche was right, that the global financial system has died, that the U.S. banking system is bankrupt, and that unprecedented Federal government intervention is necessary to solve the crisis.

Hank Paulson initially demanded that he be given the power to do whatever he saw fit, with no interference from the courts or other government agencies, and from his perspective, for good reason. "Hjalmar Hank" knows that he cannot bail out all the banks, that the banking system must be dramatically restructured to adapt to the shrunken level of financial activity; and he knows that there will be a lot of screaming as he feeds the little banks to the bigger ones.

The disappearance of the big investment banks is indicative of the problem. These giants grew rapidly with the rise of the securities machine, building football-field-sized trading floors to speculate in every form of currency, commodity, bond, and derivative. They became, in their view, the Masters of the Universe, the gods of the capital markets, around which the entire world revolved. Now, they are gone. Bear Stearns failed in March; Lehman Brothers, in September, on the same day that Bank of America bought Merrill Lynch; and a week later, Goldman Sachs and Morgan Stanley converted to bank holding companies. They are gone because their business died, and they were all failing. They did not choose to do this; the decision was forced upon them by reality, the inevitable result of the collapse of the system.

Paulson—the former CEO of Goldman Sachs—is

in the same position, a would-be dictator whose actions are shaped by powers far beyond his control. He is reacting in the only way his banker's mind knows, trying to save what he can. His plan is to take the money from the government and use it to fund the restructuring, consolidating the remaining 8,500 U.S. banks and thrifts into a much smaller number of giant institutions. Some will be merged, while others will be closed by the regulators, the FDIC eating the losses and then, either liquidating the institutions, or selling their remains to bigger banks. The closure of Washington Mutual and its purchase by J.P. Morgan Chase is indicative. Paulson may deny that this is his plan, but he will do it because he has no choice.

Paulson Cannot Succeed

Paulson is caught between Scylla and Charybdis. If Congress gets up on its hind legs and denies him his bailout, he is finished. Having admitted that the system is bankrupt, he can't take it back—the government will have to act, and the only serious option left on the table, is LaRouche's three-point plan, putting the financial system through bankruptcy.

If Congress does capitulate, and gives him his bailout, his victory is pyrrhic, because his plan will not work. Treasury will have to issue billions, then trillions of dollars of Treasury bonds, to swap for all the bad paper from the banks and other institutions included in the bailout; and it will have to buy them at prices far above their current market values. In order to maintain the illusion of solvency, the banks are carrying huge amounts of financial paper at or near face value; selling the paper to the government at market price—pennies to nickels on the dollar—would be the same as writing it down to those values, which they cannot afford to do. Thus, Paulson's plan is premised upon significantly overpaying for these “assets,” which in turn, reveals the blatant lie in the claims that the taxpayer might ultimately turn a profit on the deal.

Pouring trillions of dollars of new money into the banking system in this way is highly inflationary. We are already in a hyperinflationary state, similar to the situation of Weimar Germany in November 1923, and what Paulson proposes to do would result in an accelerating collapse of the dollar. In January 1922, it took 192 German marks to equal 1 U.S. dollar; by January 1923, that ratio was 17,972 per dollar; by August it was nearly 5 million marks per dollar, rising to 99 million in September, 25 billion in October, 2 trillion in November, and

4 trillion marks to the dollar in December 1923; at which point, Reichsbank President Hjalmar Schacht issued a new Rentenmark, at 1 Rentenmark in exchange for 1 trillion old marks. This is the path “Hjalmar Hank” has chosen for the dollar, whether he understands it or not.

The Only Alternative

The only proposal capable of dealing with this financial crisis without unleashing the Hounds of Hell is that of Lyndon LaRouche, with his Homeowners and Bank Protection Act (HBPA), a two-tiered system of Federal credit issuance designed to rebuild America's productive base, and an international alliance among major nations—the U.S.A., Russia, China, India the most crucial—representing enough of the world's population to give the alliance the necessary clout to force through a global reorganization, over the determined opposition of the British Empire and the financiers of the Anglo-Dutch Liberal system.

The HBPA starts with the idea that we can not allow people to be thrown out of their homes, and that the flow of essential goods and services must be maintained: Save the people, write off the funny money. This can be done by putting the banking system through bankruptcy, freezing all the crap, while making sure that money flows to keep the people alive and households functioning. The banking part of the act would create a highly regulated, functioning banking system out of the corpse of the dead one, to protect deposits and facilitate commerce.

As the financial crisis is brought under control, the two-tier credit system, with low-interest credit directed by the Federal government into a series of science-driver and infrastructure projects, will recreate an environment in which we can rebuild our productive base. These projects would include emergency programs to expand our electrical generation capacity using the most modern nuclear reactors, water projects to solve the shortages in western North America and other parts of the country, the upgrading of our transportation system using high-speed maglev trains, and the development of hydrogen-powered motor vehicles. Such programs would rapidly promote optimism among the population, as people realized that our long national decline had ended, and a new era of prosperity was beginning.

We can even save the parasites, if they choose to join us. Otherwise, we can put them in zoos, so our children can study them.

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