

Peering into the Darkness At Jackson Hole

by John Hoefle

As this is being written on Aug. 22, a gaggle of the world's financial leaders are gathered at the Federal Reserve Bank of Kansas City's annual economic symposium at Jackson Hole, Wyoming. The official subject of this year's parasite fest is "Maintaining stability in a changing financial system," and from what we've seen so far, the speeches are mostly academic claptrap which talk around the issue these bankers so clearly do not want to address, namely, that their system is dead, and thus, so are they.

Rather than drone on about nonexistent economic growth and the alleged stability of the financial markets, or even discussing how to save the zombie banks, we suggest that the gathered financial mavens actually discuss something real for a change. For example, how they plan to keep food on the shelves of the grocery stores when their precious financial system finally gives up the ghost.

We're not kidding! The issue these idiots ought to be discussing is how to keep people alive, how to keep the essential goods and services flowing, how to make sure that people will not be simply left to die when this slow-motion train wreck finally grinds to a halt. The issue is not money, but people.

It is way past the time for these academic fools to give up their fantasies that they can save their system by manipulating money, by shifting losses to the taxpayer, by sticking their heads in the sand and pretending that reality does not exist. Their responsibility is not to the mountains of fictitious capital and alleged profits they have spun out of thin air, but to people, real live people

whose futures are threatened by the parasites' attempts to save themselves from the consequences of their own stupidity.

We say, let the money go, and save the people!

It's Dead, Jack

Deep down in their miserly little hearts, the bankers know their system is gone, but they don't have the guts to admit it. Treasury Secretary Henry Paulson and Federal Reserve chairman Ben Bernanke are clearly working to try to save the banks by offloading their exposures to non-bank institutions like Fannie Mae and Freddie Mac, and to private equity funds, sovereign wealth funds, and others. This approach is fundamentally incompetent, because it fails to address the real problem, which is the *bankruptcy of the system as a whole*.

The Paulson/Bernanke Plunge Protection Team approach is to treat the problem as a housing problem, in which the subprime mortgage market triggered significant losses in an otherwise healthy financial system. Having redefined a banking crisis as a mortgage crisis, the PPT can proceed to force the banks to write down some of their mortgage-related losses, refinance the rest, and dump as much of the exposure as possible into Fannie and Freddie.

There are numerous problems with this approach, starting with the fact that it was the bankruptcy of the banking system which created the demand for more cash from the mortgage system—the issue was never houses per se, but the creation of ever larger volumes of mortgages to feed the securities machine and the derivatives

markets. The sale of houses was a byproduct of the looting of the population through mortgage debt.

An even more fundamental problem is that the economy itself, not just the financial sector, is bankrupt. Over the past four decades, since the 1968-71 period, the productive capability of the U.S. economy has been systematically stripped, while the service and speculative sectors have grown. The result is an economy that no longer produces the wealth to cover its own consumption; we are operating below breakeven, dependent upon importing goods we no longer produce, and borrowing the money to buy them.

Furthermore, the relationship between the financial sector and the economy is parasitic, much the same as the relationship between a flea and a dog. Restoring our economy to health means eliminating the parasites—the very system Paulson and Bernanke are trying so hard to save. When the solution begins with a flea dip, don't expect the fleas to solve the problem.

Physical Economy

Before we can even begin to solve the problems we face, we must understand that the subject of economics goes far beyond finance and money, and that the basis for economic development and progress is the power of reason of the human mind. It is the ability of the human mind to transform the universe which is the true source of wealth, and thus human minds are the most precious asset we have. To function at its best, a society must be organized to develop the potentials of all of its citizens, socially, culturally, and economically. That is the essence of the American System of Economics, and the reason for the United States' amazing success—and, when we turned our backs on that philosophy, why we have failed miserably.

Contrast this with the various oligarchic systems, in which the wealth is presumed to lie in the land, in human labor, or in money. The feudalist aristocracy believed that wealth was derived from the ownership of land and the peasants on it, who provided the labor to grow the crops and manage the livestock. The Marxists believed that it was the power of human labor that was the source of wealth, but treated their people as cogs in a machine. The financiers believed that controlling money was the key to wealth, that wealth lay in the profits from financial transactions. The common thread among all three systems was of an elite whose existence depended upon the subjugation of the masses, keeping people down and in their places. The British system today, is a com-

ination of financier oligarchy and landed aristocracy, in which finance dominates. It is the most powerful parasite on the planet.

This parasitical British system, in which financial claims are treated as more important than human life, is what has brought the United States, and the world, to their knees, and it is what we must eliminate, if we are to survive. The efforts of Paulson, Bernanke, et al. to save the parasite are only making matters worse, as is evident with every passing day. By trying to save the tumor, they are killing the patient.

Flea Dip

We do not care about the future of Lehman Brothers, or Goldman Sachs, or J.P. Morgan Chase, or any of the other financial institutions; what we care about is the welfare of the population as a whole, and that means a return to the American System of Hamilton, Lincoln, and FDR. The parasites are already doomed, but we need not go down with them.

This is the philosophy behind Lyndon LaRouche's Homeowners and Bank Protection Act (HBPA), under which the global financial system would effectively be put through the equivalent of a bankruptcy proceeding. While U.S. law applies only to the United States, the act of declaring the U.S. banking system bankrupt would have the effect of declaring the global system bankrupt, and force the issue internationally.

Under the HBPA, the giant mountain of unpayable debt and financial claims would be frozen, while we concentrate on getting the productive side of the economy moving again. Federal government credit—issued through the Treasury, not borrowed through the Fed—would be made available as necessary to keep the economy functioning during the workout period, to keep food in the grocery stores, keep the schools and hospitals open, and similar necessary functions operating while we clean up the mess created by the parasites. We would also issue Treasury credit at low interest rates to fund the rebuilding of our infrastructure and our manufacturing base, bringing our jobs back from overseas and putting an end to the imperial cartelization operation known as globalization. Other nations would gladly join us in this effort, when they see that we are rejecting British methods and returning to what made America great.

This is what the fools at Jackson Hole should be discussing, instead of playing with their statistics. If they don't, who needs them?