

Editorial

Protect the Homeowners and the Banks!

A thousand or more U.S. banks will fail by early 2010, said billionaire leveraged-buyout specialist Wilbur Ross—among other “analysts”—to CNBC Aug 18. Ross’s belief that these will be “all small or medium-sized banks” makes even this a rose-colored underestimate. Later in the week, former IMF chief economist Kenneth Rogoff contradicted him by saying that he expected “a whopper” of a U.S. bank to collapse within the short time ahead, and that he saw the worst of the ongoing financial crisis yet to come.

“But a thousand banks is going to be a lot,” Ross added. “Each dollar of bank equity that gets lost takes out about 12 or 13 dollars of loans [bank lending], so the impact on the credit crisis is going to be severe.”

Lyndon LaRouche has insisted to Members of Congress for a year, that the coming bank collapse was even more catastrophic than the drastic home foreclosures crisis; to all who have eyes to see, this is now clearly the case.

Combining the two problems are the cases of Fannie Mae and Freddie Mac, the quasi-government agencies which have been used to pump up the mortgage bubble, and are now faced with collapse themselves. Their stocks are down by a full 95% against one year ago. A new round of hyperinflationary actions is now being proposed to save Fannie and Freddie from imminent bankruptcy—either through borrowing at super-high interest to pay \$223 billion in bonds coming due Sept. 30, or utilizing Treasury Secretary Paulson’s new bailout fund, passed as a codicil to the Barney and Bailout bill on the housing crisis.

All this flailing about, however, does nothing to solve the crisis, which gets worse by the day. Every bailout action simply adds more debt to the already

humongous mountain of unpayable debt. Some sources estimate that a full bailout of Fannie and Freddie might increase the U.S. national debt from its current level of approximately \$9 trillion, to more than \$23 trillion!

In the face of this impending disaster, LaRouche has sharpened his attack on those who have been blocking his Homeowners and Bank Protection Act (HBPA), which he put on the table in August 2007.

“Now, if you don’t go with my HBPA legislation in Congress, you’re really an idiot, and a dangerous one to your constituents, who will be out in the street and broke,” LaRouche commented.

“Otherwise, the bailout will blow out the United States. It won’t work, so it will blow out Fannie and Freddie, and trigger a whole chain reaction. There’s only one thing they can do: the HBPA. It’s the only measure that will work. Change the subject: Freeze it.”

“The United States is bankrupt,” LaRouche continued. “*Every* state is bankrupt. The question is, are you willing to put the whole system into Federal bankruptcy reorganization? And pay what should be paid to keep the physical economy functioning, including its people? We’ll postpone payment on other things, until we resolve this bankruptcy. That’s going to take some time to do, so people should not be looking forward to any settlements on these things—bankrupt states and so forth—until some time down the line, when we reorganize the economy.”

LaRouche is the only economist who has never made a wrong economic forecast. LaRouche’s HBPA provides for no foreclosures, no bailouts of speculators, and for keeping Federal and state-chartered banks open. That’s the best we’re going to get—and we’d better demand Congress give it to us now.