

The Line Is Drawn: Stop the Nation-Killing Bailout Now!

by John Hoefle

Immediately upon hearing of the action by Treasury Secretary Henry Paulson to have the United States government assume the liabilities of Fannie Mae and Freddie Mac, Lyndon LaRouche declared the move “tantamount to treason.”

“This is an un-Constitutional fraud,” he said, adding, “We’re going to hold these people accountable for this ‘tantamount to treason’ action.” If they do this, he said, “they are going to jail.”

For the past year, we have been warning that Paulson, Fed chairman Ben Bernanke, and the Plunge Protection Team were engaged in a systematic bailout of the bankrupt U.S. financial system, and, in doing so, were bailing out the global Anglo-Dutch Liberal system. Despite all the spin about “protecting homeowners,” this is a plan to save the parasites by transferring their losses to the taxpayers.

How did such a travesty of justice occur? The policy itself comes from the core of the Anglo-Dutch Liberal financier oligarchy, which is determined to protect itself and its parasitic system at all costs. Organizing for the policy in the U.S. was a fifth column of oligarchic stooges, centered around creatures like Felix Rohatyn, George Soros, the Council on Foreign Relations, the Trilateral Commission, the Rockefeller Foundation, and others, with considerable help from the whorish U.S. media. Implementing the plan were corrupt public officials who turned this policy into

law, to the detriment of the welfare of the people. This list includes Paulson, Bernanke, Senate Banking Committee chair Chris Dodd (D-Conn.), House Banking Committee chair Barney Frank (D-Mass.), Speaker of the House Nancy Pelosi (D-Calif.), and a host of others, who have consistently done the bankers’ bidding and consistently blocked LaRouche’s reform proposals. Paulson’s action was specifically authorized by H.R. 3221, the deceptively named Housing and Economic Recovery Act of 2008, also called Dodd-Frank after its main sponsors.

These actions, far from saving the United States, will destroy it. Said LaRouche: “Once the American people figure out what Paulson, Dodd, Felix Rohatyn, ‘Bailout Barney’ Frank, and House Speaker Pelosi have done, they will be out for blood. I wouldn’t want to be in the shoes of any member of Congress who signed their name onto the Dodd-Frank bill.”

Tens of Trillions

To understand what this scheme is, and how it works, you have to step back and view it from the larger perspective of a bankrupt financial system: The devil is in the *intent*, not the details. As LaRouche has repeatedly declared, the global financial system died in the Summer of 2007; it has not come back, and will not come back. It is dead. The problem facing the banks, is that they still have trillions of dollars of bad paper on their books,

FIGURE 1

Fannie and Freddie Melt Down

(Closing Stock Price)



Source: finance.yahoo.com.

paper whose real value ranges from zero, to pennies on the dollar. They can't afford to write it off, and they can't sell it. Despite their financial reports, they are bankrupt, and the bigger they are, the more bankrupt they are.

These big banks are zombies, walking dead, keeping their doors open only through thoroughly cooked books and a corrupt regulatory system. There is nothing they can do to save themselves.

This is the problem Paulson is trying desperately to solve, and the only way he sees to solve it is to bail out the banks by having the U.S. government buy the paper. He intends to save the financial system from bankruptcy by bankrupting the U.S. government, our economy, and our people.

No one knows what this will ultimately cost, because the financial system is still hemorrhaging as the

effects of the death of the system work their way through the balance sheets of the commercial and investment banks, hedge funds, pension funds, money-market funds, insurance companies, and other speculators in the quadrillion-dollar-plus global financial casino. The Congressional Budget Office has estimated that the scheme will ultimately cost the government \$25 billion, but that estimate is based upon a bailout of Fannie and Freddie, not the bailout of the financial system itself. LaRouche estimates that the bailout will cost tens of trillions of dollars, something the U.S. government cannot possibly pay, even with big tax hikes, and even bigger cuts in essential services. This plan will kill what is left of the U.S. economy, and, effectively, the nation itself.

Savage Downsizing

It is useful at this point to define just what is meant by "bailout" under such circumstances. Even the dumbest among the bailout circus crowd realizes that saving every commercial and investment bank, every fund, every speculator, is neither possible nor desirable. Many people who thought they were major players are already gone, thrown overboard as expendable. Bear

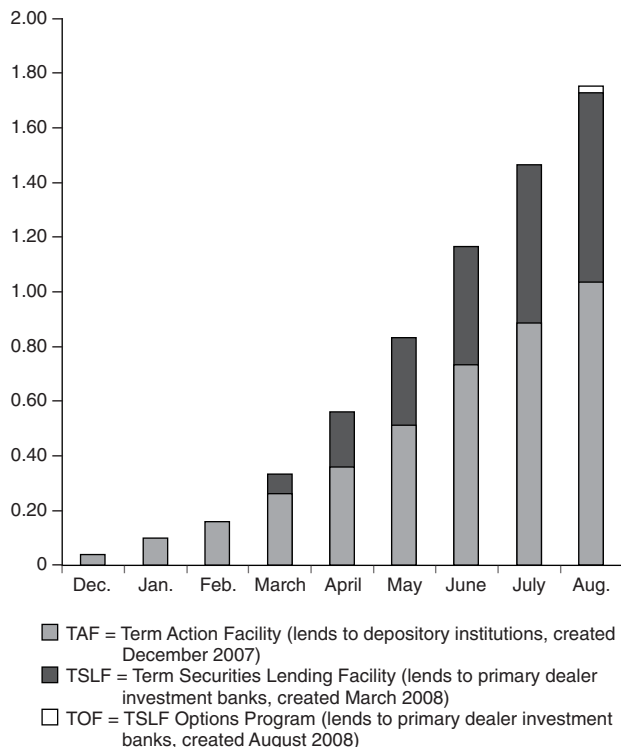
Stearns is gone; Lehman Brothers appears on the verge of joining them; Wachovia is now run by a former top member of the Plunge Protection Team; and the FDIC is expanding as fast as it can to handle the failures it sees coming. Some of these dramas are being played out in the press, soap-opera style, to keep the focus on individual institutions and not the system itself.

Again: Pull back and look at the system as a whole. During the heyday of the bubble, the debt machine was taking in mortgages, credit-card receivables, corporate debt, and related items, and spitting out even larger amounts of securities on the back end. In 2005, for example, this securitization game took in \$1 trillion in new mortgages, and turned it into \$3 trillion in mortgage-related securities. This game of turning piles of debt into even larger piles of assets spun off huge

FIGURE 2

Federal Reserve Bailout Loans

(\$ Trillions)



Source: Federal Reserve.

amounts of cash, and as the pyramid scheme grew, the banking system grew with it. Then, suddenly, the music stopped, and Wall Street, the City of London, and other major financial centers found themselves with far more capacity than business, far too much expense for the suddenly reduced income. Suddenly these over-leveraged behemoths were struggling just to survive, their assets vaporizing, and no way to make the money they needed to cover the bills.

Regardless of what the bankers try to do, the system must inevitably shrink until it finds equilibrium, and that is a long way down. The best they can do, from their standpoint, is to try to protect the system itself, saving as much of the core as they can. That means lots of bank failures, and lots of mergers, many of them with government assistance. The big banks will try to survive by gobbling up the little ones, aided by Federal life support. The government has already shown it will do as much as it can to protect the money and the parasites, while throwing the taxpayers, and the rest of the economy, to the wolves.

Stop It, Now!

This bailout must be stopped now, before it really gets rolling. Paulson must be stopped, and Dodd-Frank repealed.

“This bill must be immediately ripped up,” LaRouche demanded. “It flagrantly violates the U.S. Federal Constitution, which specifically defines the general welfare as the law of the land. This bailout of speculators, at the expense of current and future taxpayers, is illegal.”

This bailout scheme is a nation-killer, as the ultimate authors of the policy understand. If carried out, it will bankrupt the U.S. economy, and destroy the dollar. It will impose trillions of dollars in illegal taxes upon the public, bleeding us until we are dry.

Forget the legalistic nonsense being pumped out by Washington, and the hosannas being sung by those who think they are being saved. The Constitution is clear on the subject: The government’s responsibility is to protect the General Welfare is paramount, and that is the law of the land. Neither Paulson, nor Dodd-Frank, can change that.

There can be no compromise here. Either we stop this travesty of justice, or the United States gets gobbled back up by the imperial system from which we fought a revolution to escape. It is time to rise up and fight!

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Now Comes the Chain-Reaction:**Blowing Up the World**

by Lyndon H. LaRouche, Jr.

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So far, the world’s press had considered only some of the relatively less significant effects of what have become the treasonous implications of the actions of Senator Chris Dodd, Congressman Barney Frank, and Treasury Secretary Paulson. Now, those in the British Empire who may have been gloating, momentarily, should also recognize that the U.S. bomb over which they have gloated, was the bomb on which they have been already sitting at that time.