
Paulson's Bank Bailout

The Biggest Swindle Ever Pulled!

by John Hoefle

Lyndon LaRouche has issued a clear warning to the pack of fools pushing the largest bank bailout in history: *Don't do it, and if you do, don't expect to get away with it. There will be consequences for such treasonous stupidity, far beyond what you can imagine.*

The plan, presented by Treasury Secretary Henry Paulson, and supported by Fed chairman Ben Bernanke, President George W. Bush, and a gaggle of international bankers and other idiots, would transfer most of the enormous losses incurred in the death of the global financial system, from the books of the banks to the Federal government—and the U.S. taxpayer.

This scheme is being marketed to a frightened public as a “bold” plan to “solve” the financial crisis once and for all. What it really is, is the biggest theft in history, an act of monumental stupidity which will destroy everything in its path: the economy, the nation, and the people. There is nothing good about it.

Absolute Insanity

“This is the biggest swindle ever pulled,” LaRouche said. “It is absolute insanity. The public is being duped.”

Virtually nothing Paulson has said is true—it is all lies designed to dupe Congress and the American people into believing that this gigantic ripoff is both necessary and in the public interest, when neither is true. The lies began well before Paulson, when we were told that finance, not production, was the road to wealth. For the past four decades, we have seen the systematic dismantling of American industry and agriculture, and the turning of our economy into a giant casino. Our banking system has been turned over to the speculators, and we have watched a relatively small portion of our population get rich—some obscenely so—while a growing portion fell into poverty, and others were pushed over

the edge. Every protection put into law to stop such looting has been systematically repealed, including the Glass-Steagall Act of 1933, which forbade commercial banks from engaging in investment banking. Now that system has collapsed, and we are being told that the people must bail out the crooks.

The final phase of this collapse began last year, with the mythical “subprime crisis,” a deliberate misnomer. Then this “subprime crisis” somehow morphed into a “credit crunch,” infecting an “otherwise healthy” banking system. It was, from start to finish, a lie carefully constructed to support the ultimate demand for a bailout.

Here's what really happened, and it all starts with the banking system. The banks built up a huge derivatives bubble in the 1990s, a pyramid scheme which constantly needed more money fed into its maw to keep it going. One of the prime sources of fuel was mortgages, which were used to spawn mortgage-backed securities, and even wilder forms of casino chips like CDOs. The more mortgage money that came in, the larger the profits that could be made from speculating in the securities, yielding more money for new mortgages. It was this securities machine which drove housing prices—and the mortgages on those houses—into the stratosphere.

However, the machine worked so well that it drove housing prices beyond the reach of many Americans, so, in order to keep the mortgages flowing in, the banks began to relax loan standards, and in the end, were selling homes to people who could not afford them, just to keep the game going. It finally got to the point that prices were so high, that even with the lax lending standards, they couldn't keep the game going, and the whole house of cards collapsed. The subprime loans collapsed first because they were the shakiest, made at the top of the market, so the banks painted the subprime lenders and borrowers as the villains, as a way of covering up their own role. It was a classic “blame the little guy” scam.

Now we see Paulson asserting that the banks have been infected by this “housing crisis,” and that in order to protect the American people, we must carry out the biggest bank bailout in history. But it was Paulson, a former investment banker, and his investment banking buddies and their predecessors, who created this mess in the first place, and are now demanding that they be saved from the consequences of their folly, and handing

the bill to the people they have been victimizing for decades. The foxes are demanding that the chickens pay for cleaning up the blood in the chicken coop.

It Won't Work

Aside from its incredible arrogance, the plan put together by Paulson, his cronies at the Plunge Protection Team, and his Wall Street peers, is incompetent from an economic standpoint. All it really does is transfer unpayable debts from the books of the banks to the books of the government, without addressing the issue of why those claims are unpayable.

The claims are unpayable because the productive sector of the economy, the sector which ultimately pays all bills, is far too weak to carry the load, and is sinking fast. As it has for the past four decades, the U.S. economy is operating below breakeven and taking on debt to make up the difference. This growing mountain of debt was turned by accounting magic into a pile of assets, upon which the bankers leveraged an even bigger mountain of speculative bets. They lived off the income they gained from trading all this fictitious capital back and forth, until the size of their bubble could no longer be supported, and it collapsed. All Paulson's plan would do is give the bankrupt gamblers more chips with which to play, so they can do even more damage.

We Can Stop It

We have reached the point where we can no longer survive such greed and stupidity, and must fundamentally change our approach. Rather than listen to the siren call of the bankers which summons us to our doom, we must face the fact that we, as a people, have been behaving like fools. The bankers may have done this to us, but we let them, and all too often participated, greedily scraping up the crumbs which fell off their overloaded tables.

Now, watching our biggest banks report multi-billion-dollar losses every quarter, despite multi-trillion-dollar injections from the central banks, watch-

ing our leaders call for unprecedented bailouts and sacrifices, it is beginning to dawn upon us that the great economic boom was a sham, that the "fundamentally sound" system was an illusion, and that the whole house

of cards has collapsed. It is dawning on us that we were fools, that the world does not work the way we thought.

Fortunately, we have among us a man who saw these errors as they were being made, and who has a plan to solve the problem, even at this late date. That man is Lyndon LaRouche, and his solution begins with a return to the sound economic principles that have worked so well for America in the past, most recently with President Franklin Roosevelt. Rather than saving the paper, as Paulson would have us do, LaRouche's pro-

posal is to put the financial system through the equivalent of a bankruptcy proceeding, freezing the giant mass of speculative bets while stopping foreclosures and making sure that the goods and services necessary for human existence continue to flow. At the same time, low-interest government credit would be used in an emergency program to rebuild our productive base, all coordinated with keystone nations like Russia, China, and India, as a way of pulling the entire world up out of this looming new Dark Age. It can be done, but we must do it.

First, we must stop this crazy bailout scheme, which LaRouche has characterized as "tantamount to treason" for the destruction it will visit upon our nation and its people. But LaRouche also has a warning for those who sponsor it, and for those who vote for it. As the magnitude of the theft you support becomes more apparent, there will be new governments, prodded by a furious people, who will demand that this theft be reversed, and that the perpetrators of this crime be punished. Great crimes are not always punished right away, but history has a way of settling the score. There are more things in heaven and Earth than are dreamt of in your philosophy.

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Senate Majority Leader Harry Reid said at his Sept. 17 press conference: "No one knows what to do. We are in new territory here. This is a different game. We're not here playing soccer, basketball, or football; this is a new game and we're going to have to figure out how to do it."