

Time To Reject the Big Lie

by John Hoefle

Virtually everything you read in the major press about the economy is wrong, reflecting either deliberate lies or a lack of competence, and often both. There are often elements of truth in the reports, but the reports themselves paint a false picture designed to confuse and mislead the reader. We are living in a virtual “1984” where the “news” departments have become the propaganda arms of the elite. On a daily basis, people are bombarded with falsehoods and trivia, designed to get them to focus on themselves and their fantasies, while crucial decisions affecting their lives and the future of the nation are made in the salons and executive suites of financiers and corporatist cartels, and carried out by their bought-and-paid-for politicians.

This is particularly true when it comes to economic matters, where a credulous public is fed a steady stream of stock market reports and phony economic statistics, while the entire global economy is disintegrating, and the financiers are struggling to put out the fires and salvage what they can of their fictitious values. The great irony is that people don’t really believe all that nonsense—they know they are being fed lies, because they are living in a collapsing world, but the lies feed their paralysis. The issue is not knowing, but *acting*; the bankers don’t care if you know what they’re doing, as long as you don’t fight back. The veneer of civilization has worn quite thin, and the underlying brutality of the Anglo-Dutch Liberal system is beginning to show, even in America.

Bare Sterns

The case of Bear Stearns is exemplary of this process. Roughly one year ago, the banking system began to visibly collapse, reflected in the failures in the subprime mortgage market, and by last Summer, with the failure of two Bear Stearns hedge funds, the global securities markets seized up. By July, the global financial system had collapsed, and the ramifications of that collapse began to work their way through the balance sheets of individual financial institutions and speculators.

The global financial system had died by July, but you’d

never know it from the public utterances of the bankers, the regulators, and the pundits. This is a minor problem, a cyclical dip, nothing to worry about, they said, assuring us that everything was under control. Except that it wasn’t, and the smarter among them knew it.

During subsequent months, the situation deteriorated, as various elements of the system began to die. To hide this, the cover story of a “credit crunch” was invented, both to explain the ongoing collapse, and to pretend that the system itself, while encountering some significant problems, was still fundamentally sound. By the end of the year, this story was beginning to break down, and, facing the need to cook the books for the year-end reports, the central banks escalated their money pumping, and began taking in bad assets as collateral for loans. By such measures, the big banks and securities firms managed to get through the year with the perception of life still somewhat intact.

On central bank life support, the big institutions—bank holding companies, commercial banks, investment banks, and the variety of hedge and private equity funds hoped to get through the first quarter, but it was not to be. Despite unprecedented interventions by the central banks, Bear Stearns, one of the largest investment banks in the world, failed. Despite all the interventions, the trillions of dollars pumped into the system through various means, both legal and illegal, the banking crisis broke out into the open, forcing the Plunge Protection Team (PPT) to mount a public rescue operation.

The Big Lie

So, finally, the bare sterns of the banking system exposed for all to see, the truth would come out, right? Not if the bankers could help it! They merely moved into the next phase of the big lie, claiming that the PPT’s action in arranging an emergency loan to, and then an emergency takeover of, Bear Stearns, had been done to save the system from a possible chain-reaction collapse.



EIRNS/Bob Wesser

"Benito Mouse-olini" visits Bear Stearns headquarters in New York City, in a LaRouche PAC demonstration on March 18. Even Mayor Michael Bloomberg's Mussolini-style corporatism or Schachtian fascism—which the financier oligarchy is gunning for—can't keep alive a system that is already dead.

The system is dead, the central banks are throwing trillions of dollars of public money down the rathole trying to keep the zombies moving, and the public is told that it is all being done to keep the system alive, in order to protect ordinary people! It is a lie so big, so bold, that Nazi propaganda minister Joseph Goebbels is probably smiling in his grave.

Lies and denial may be the order of the day in public, but behind the scenes there is sheer panic, and vicious maneuvering. The collapse of the securities markets, led by the most speculative instruments, is stunning and a sobering indicator of the devastation making its way to the surface. This is beginning to be reflected in a wide variety of statistics which show that activity is plummeting in the derivatives markets, the debt markets, the markets for mortgage-related securities, junk bonds, syndicated loans, LBO loans, and structured finance—all the gimmicks that have kept the system afloat in recent years. For a system which depends upon the continuous flipping of such instruments, this is death, just as Lyndon LaRouche said last July. The music has stopped.

Blame the Governments

One of the more interesting lines circulating among the financial parasites these days, is that the governments are to blame for this crisis, due to over-regulation of the financial markets! The U.S. government overreacted in the post-Enron period, enacting tough mark-to-market rules which are forcing institutions and investors to unnecessarily write down the valuations of assets, these fools claim. Implicit in this argument is the idea that the current crisis is cyclical, that if we just hold on while this storm passes, things will

eventually return to "normal."

The claim is also being made that the problems in the market were caused by too much regulation, too many rules, and that what is needed is a new form of regulation based on "principles." For such a plan to work, of course, requires that the people who implement it, actually have principles, as opposed to law of the jungle impulses.

Some of the claims are so absurd as to be comical, such as the attempt by the International Swaps and Derivatives Association (ISDA, the derivatives trade group) to compare derivatives to motor vehicles, asserting that if we don't blame cars for traffic accidents, we shouldn't blame derivatives for bad investment decisions. By the same token, we suppose, we shouldn't blame casinos for gambling.

Martin Sullivan, the CEO of insurance giant AIG, argues that it is wrong to force companies to mark to market in an "illiquid market." His view, no doubt, is completely unrelated to the \$11 billion hit AIG took when it

had to write down some of its overvalued securities, giving it the biggest quarterly loss in its history.

Marking to market means that whenever a market price has been established for an asset, anyone who holds similar assets must value them at that market price. For assets like stocks, whose price is set daily on stock exchanges, that is not a problem, but when you get into the world of exotic securities such as the lower tranches of mortgage-backed securities, CDOs, and such, the securities are so customized that no one but the institution which creates them can set an accurate price, and they have a vested interest in setting the value as high as they can. The result is a sea of securities which were never, even in inflated market terms, worth what was claimed. What Sullivan and others are arguing is that we pretend that the collapse never happened, and go back to the fantasy valuations. Talk about sticking your head in the sand.

There is a case to be made for principle-based regulation, and that case is made in the Preamble of the U.S. Constitution, which states that the overriding job of government is to serve the public welfare. Were we to follow that principle, we would shut the whole mess down and go back to the American System.

The British Empire

Not surprisingly, the leading proponent of principle-based regulation is the British Empire, which seeks to use the concept as the excuse for even further *de*-regulation. The British Empire has perfected the Big Lie to an art form, pretending to be for honesty and fairness, while moving to destroy any government which even nominally defends those ideas. The Brit-

ish Empire is committed to the supremacy of a small elite over the rest of humanity, and has a history of treachery to any nation that makes the mistake of trusting it.

The British were the leading proponents of the deindustrialization of the United States, and with their allies in the U.S.A., pushed us to adopt their Anglo-Dutch Liberal model. This emulation of the parasitical City of London model has destroyed the U.S. economy, allowing it to be taken over by the imperial operation known as globalization. Another word for globalization is fascism.

Now we have the British pushing the U.S. to bail out its financial institutions, protecting the parasite at the expense of the host. It must be done, they say—save the system first, then sort it all out later. That is a prescription for national suicide, and the death of the dollar-based system. The result will not be stability, but hyperinflation, with the value of the dollar completely collapsing and taking the rest of the world with it. We are in for a replay of Weimar Germany if we continue these policies, and our “dear friends” the British know it.

Time for Truth

Abraham Lincoln once observed that you can fool all the people some of the time, and some of the people all the time, but you can't fool all the people all the time. Lincoln, too, was beset by a British assault on the United States, through London's pawns in the Confederacy, but counted on reason and the fundamental decency of the American people to prevail. Lincoln gave his life in that struggle, but he won the war and saved the Union.

Today, the power of reason is greatly strained, under the assault of a massive propaganda machine designed to stamp out all remnants of the American System and turn our population into frightened little peasants who will surrender our nation and its principles for the false promises of safety and wealth. The bankers and the government propose to bail out the banks in the name of protecting the ordinary people, the financial equivalent of making sure the plantation owners have so much to eat that there are crumbs left over for the slaves. In the name of the “war on terror,” our own government is copying the British surveillance society model, asserting its right to monitor everyone, all the time. If you have nothing to hide, you have nothing to worry about, they say, justifying the establishment of a police state in the name of protecting freedom. Do you really believe they are doing it because they care about you?

The Big Lie only works when little people accept it, when people are too afraid to stand up for the truth. We seem to be living in an Orwellian world where Big Brother demands allegiance, but beyond that psychological fishbowl lies the potential for real freedom: for life, liberty, and the pursuit of happiness. The rapidity with which man went from first flight to landing on the Moon, is the natural order of things, and the first step toward reclaiming that tradition is the smashing of the Big Lie and the ugliness that hides behind it.