

LaRouche's Program To Solve the Crisis

Lyndon LaRouche, after his webcast on July 25, 2007, declaring that the global financial system *had already collapsed*, laid out emergency measures to deal with the crisis. These have circulated in millions of copies of leaflets and pamphlets, as well as on the website of the LaRouche Political Action Committee (www.larouchepac.com), where the complete statements can be found.

The approach is revolutionary, in that it requires a fundamental change in axioms on the part of people and governments. However, it is not new, but tried and tested, starting 75 years ago, by President Franklin D. Roosevelt.

In a statement of March 17, 2008, LaRouche itemized “Three Steps to Survival”:

“1. My Homeowners and Bank Protection Act of 2007 must be adopted and set into motion immediately. If not, the situation of the U.S. becomes quickly hopeless.

“2. A two-tier credit system, in which a.) U.S. government credit for physical-economic recovery programs is provided at between 1-2%, and b.) other utterances of credit-injections float more or less freely.

“3. The U.S.A. government must now immediately approach the governments of Russia, China, India, and others for the prompt establishment of an international, emergency fixed-exchange-rate system, ending the presently hopelessly bankrupt floating-exchange-rate system.”

The HBPA

The Homeowners and Bank Protection Act of 2007 (HBPA) emphasizes that the United States is confronted, not with a “subprime mortgage crisis” or a “housing crisis,” but a crisis of the entire banking system. When LaRouche said that a year ago, many did not believe him; but the events of the ensuing months prove him to have been absolutely right. The collapse of the real estate sector was not a *cause* of the banking crisis (as many have argued), but rather a *sign* of it—just the tip of the iceberg, in fact.

So far, the HBPA has been blocked by Speaker of

the House Nancy Pelosi, even though it has widespread support on the state and local level. It has been supported in over 116 state and local jurisdictions. Five state legislatures have passed resolutions calling on Congress to endorse such a policy, including Rhode Island (both houses), Kentucky (Senate), Mississippi (House), Alabama (both houses), and Vermont (House). It has been introduced in 15 other states, and has passed in 84 cities, including major cities such as Philadelphia, Providence, Detroit, St. Louis, Indianapolis, Akron, Pittsburgh, and Newark.

Its provisions are even more urgently required now than they were in August 2007, when first specified by LaRouche:

“1. Congress must establish a Federal agency to place the Federal and state chartered banks under protection, freezing all existing home mortgages for a period of however many months or years are required to adjust the values to fair prices; restructure existing mortgages at appropriate interest rates; and write off all of the cancerous speculative debt obligations of mortgage-backed securities, derivatives, and other forms of Ponzi schemes that have brought the banking system to the present point of bankruptcy.

“2. During this transitional period, all foreclosures shall be frozen, allowing American families to retain their homes. Monthly payments, the effective equivalent of rental payments, shall be made to designated banks, which can then use the funds as collateral for normal lending practices, thus recapitalizing the banking system. Ultimately, these affordable monthly payments will be factored into new mortgages, reflecting the deflation of the housing bubble, and the establishment of appropriate property valuations, and reduced fixed mortgage interest rates. It is to be expected that this process of shakeout of the housing market will take several years to achieve. In this interim period, no homeowner shall be evicted from his or her property, and the Federal and state chartered banks shall be protected, so they can resume their traditional functions, serving local communities, and facilitating credit for investment in productive industries, agriculture, infrastructure, etc.

“3. State governors shall assume the administrative responsibilities for implementing the program, including the ‘rental’ assessments to designated banks, under the authority of the Federal government, which will provide the necessary credits and guarantees to assure the successful transition.”