

Pelosi, Frank Schemed To Bankrupt the United States

by Nancy Spannaus

Feb. 3—Lyndon LaRouche today reiterated his call for the immediate ouster of Nancy Pelosi as Speaker of the House, and charged that both Pelosi and Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee, knowingly conspired to bankrupt the United States.

“From the time that I first issued my proposal for a Homeowners and Bank Protection Act (HBPA) during my July 25, 2007 international webcast, Speaker Pelosi and Chairman Frank openly collaborated with the likes of Felix Rohatyn and George Soros, to kill that legislation, knowing that the alternative would be the total bankruptcy of the United States,” LaRouche declared. “Throughout the Autumn of 2007, state and local elected officials from all over the country—Democrats and Republicans alike—threw their support behind my HBPA. Yet, despite that unprecedented mobilization in support of a freeze on foreclosures, and a bankruptcy reorganization of the entire U.S. Federal Reserve banking system, Speaker Pelosi and Chairman Frank suppressed any Congressional action. I know this for a fact.”

LaRouche continued, “From the outset, leading figures within the Democratic Party, including leading members of the U.S. Congress, told my associates that the HBPA would work, and that it would enjoy wide bipartisan support. At one point, Rep. John Conyers (D-Mich.) read the full text of the HBPA into the record of a House Judiciary Committee hearing on the banking crisis. Despite this, the HBPA was blocked.”

LaRouche demanded to know: “Why did Pelosi and

Frank block any action on the HBPA? What role did George Soros and Felix Rohatyn, to name just two leading figures with great influence on Speaker Pelosi, have on the decision to suppress the only legislation that would have prevented the nightmare collapse of the entire banking system that we are now experiencing?”

LaRouche called for an immediate inquiry, by the appropriate Congressional committee, “and without interference by Pelosi or Frank,” to get answers to these questions. “Today, it is still not too late to pass the HBPA. If anything, the need for this legislation is more urgent than it was in July 2007, when I first put it forward. The entire Federal Reserve System is hopelessly, irreversibly bankrupt, and Pelosi and Frank bear personal responsibility for this crisis. Had they not suppressed the HBPA, and, instead, pushed the multi-trillion dollar bailout of their friends on Wall Street, we would not be in the mess we are in today. Now, because of the willful actions by Pelosi and Frank, it is urgent that we get to the bottom of that sabotage, to make sure that it never happens again.”

Pelosi Under Fire

Although no Congressman, nor any other Democratic leader, has come forward to challenge Pelosi on the substantive issue of her protection of the thieving bankers, a revolt has begun to emerge publicly against Pelosi’s leadership. In early February, news leaked out that a number of House Democrats were circulating a letter to Majority Leader Rep. Steny Hoyer (D-Md.),



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Lyndon LaRouche first outlined his proposal for what became the Homeowners and Bank Protection Act, at his July 25, 2007 webcast. Here, members of the LaRouche Youth Movement organize for the HBPA in Houston, in September 2007.

demanding that Pelosi stop freezing them out of legislative deliberations. Reports are that as many as 68 Democrats signed the petition, before Pelosi, at the Feb. 6-7 Williamsburg Democratic Party retreat, declared that she would yield to their demands, and restore the normal legislative procedures, which permit Members to study and debate legislation.

Rep. Jim Cooper (D-Tenn.) went public with the revolt in a Feb. 2 radio interview. He said, “I probably shouldn’t be telling you this, but I actually got some quiet encouragement from the Obama folks for what I’m doing because they know it’s [the “stimulus bill”] a messy bill and they wanted a clean bill. . . . [Members] don’t read the bills and figure out whether they’re any good or not. We’re just told how to vote. We’re treated like mushrooms most of the time,” by Pelosi. The Members’ letter demands that Pelosi return the House immediately to “regular order,” whereby legislation is studied by committees and by the study groups of the caucuses, rather than the leadership putting “emergency” bills directly on the floor for votes.

Significantly, “regular order” was first suspended by Pelosi for the bank bailout legislation demanded by the Bush Administration Treasury Secretary, former Goldman Sachs CEO Hank Paulson. First, it was Paulson’s amendment nationalizing Fannie Mae and Freddie Mac in July; then, Paulson’s \$700 billion “TARP” (Troubled Asset Relief Program) bank bailout bill in September. These bailout bills were directly opposed to LaRouche’s Homeowners and Bank Protection Act, killed by Pelosi

and Barney ‘Bailout’ Frank; the LaRouche legislation would have prevented those bank bailouts.

In what may be a reference to Barney Frank, the Members’ letter says that they “have grown overly frustrated with how only small and select bands of legislators have been responsible for writing bills, such as the \$700 billion Wall Street bailout as well as much of the \$819 billion economic stimulus bill.”

Cooper’s bomb shell drew a response, as he must have expected. Within three days, he was induced to issue a letter claiming that he had not received any encouragement from the White House for his challenge to the Speaker. But the petition was publicly endorsed by Majority Leader Hoyer, and Pelosi was induced to cave in.

The Question of Substance

While restoring Democratic procedures in the House of Representatives would certainly be useful, it will not be sufficient, by any means. Members are going to have to hear from their constituents, loud and clear, that the fraudulent bailouts must stop, and a policy of bankruptcy reorganization plus massive credit for economic infrastructure be implemented instead. What’s required are Pecora-style hearings to expose and root out the fraud, at the same time that emergency ameliorative action is taken by passing the HBPA, and legislation modelled on LaRouche’s 2006 Economic Recovery Act.

The LaRouche Political Action Committee has been leading a campaign for Pecora-style hearings since late September 2008, when Lyndon LaRouche endorsed a resolution by Reps. Marcy Kaptur (D-Ohio) and Scott Garrett (R-N.J.) for establishing a Select Committee on Financial Bailouts, which would have mandated such an investigation. While that particular resolution died with the 110th Congress, sentiment for such an investigation has increased, along with popular outrage at the bankers who have been bailed out at the public trough, and then proceeded to pocket the money, including billions in executive bonuses.

Open support for a Pecora-style investigation finally surfaced in the Congress on Feb. 4, when Sen. Richard Shelby (D-Ala.) took the occasion of his opening remarks at a Senate Banking Committee hearing with former Fed chief Paul Volcker, to raise the issue, and to endorse the call published Jan. 6 in the *New York Times* by historian Ron Chernow for a new Pecora investigation. We include relevant excerpts of Shelby’s statement below.

Sen. Richard Shelby Calls For New ‘Pecora Hearings’

The growing demand that the Wall Street financiers and their bankrupt institutions be held accountable for their speculative crimes, rather than be beneficiaries of bailout largesse—despite the overwhelming objection of the citizenry—is finding voice even in Congress. Before Obama advisor and former Federal Reserve chairman Paul Volcker testified at a Feb. 4 Senate Banking Committee hearing, the committee’s ranking Republican, Sen. Richard Shelby of Alabama, called for hearings modelled on the famous Pecora hearings of 1932-34, that brought the pro-fascist predecessors of today’s financiers to task, and laid the groundwork for President Franklin Roosevelt’s putting the “economic royalists” in their place. Here are excerpts of Shelby’s opening statement:



...I believe that before we discuss how to reorganize our regulatory structure, or even before we consider how to address the financial crisis, we need to first understand its underlying causes. . . .

This committee should, I believe, and must, conduct a full and thorough investigation of the market practices, regulatory actions, and economic conditions that led to this crisis. . . .

There is now talk of creating a commission to examine the origins of the financial crisis, and to make recommendations for further action. At this time, I would oppose the creation of such a commission because a thorough investigation is something that this committee can do, and must do. . . . This committee is uniquely positioned to conduct a transparent investigation that could build the necessary political consensus around the appropriate legislative remedy that we must seek.

This particular committee has a long history of conducting such investigations. The best precedent, I believe, for this type of investigation that our current eco-

nomic situation demands, is the year-long investigation of stock market abuses the committee conducted during the Great Depression. The so-called “Pecora hearings” produced a detailed report, exposing a wide range of abuses on Wall Street. This committee heard testimony from hundreds of witnesses, producing nearly 12,000 pages of transcripts from over 100 hearings. The investigative staff was made up of dozens of individuals, and included attorneys, accountants, and statisticians, conducting scores of interviews and sworn depositions. The committee subpoenaed corporate records, and heard testimony from the heads of Wall Street and industry, including three days of testimony, I’ve been told, from Mr. [J.P.] Morgan himself. . . .

The record that the Pecora hearings established ultimately laid the groundwork for the passage of the Securities Acts, and the creation of the Securities and Exchange Commission. . . .

After we complete a thorough review of the role of the regulators, we should then call the CEOs of the largest banks, insurance companies, brokerage firms, homebuilders, realtors, and other financial services companies of the past ten years, to testify. This, of course, would be preceded by an extensive staff effort to examine the activities of each institution or industry. Since the crisis began, the committee has not yet heard from Wall Street CEOs on their role in creating the toxic assets that have spread throughout our financial system like a cancer. Nor have they publicly explained why their risk management systems failed, or why they operated with such dangerous levels of leverage.

Because many of these firms have either failed, received public money, or sought some type of Federal assistance, I believe they owe it to the American people, to explain how this crisis started, and what role they played in it.

Last year, I called for a hearing to examine the role of underwriting practices in spawning the crisis. The committee announced that it would hold a hearing to examine underwriting practices, but it was postponed and is yet to be scheduled. That hearing can now be part of this effort.

Mr. Chairman, I am more than willing to work with you, as I have, and I believe this committee is uniquely positioned, as you do, to perform this important service at this time for the American people. I pledge my full support, should you choose to undertake your own version of the Pecora hearings, as long as they are comprehensive.