

## Fascist Felix Rohatyn Moves In on Obama Administration

by Debra Hanania-Freeman

Feb. 27—When synarchist banker Felix Rohatyn took the podium at the National Governors' Conference in Washington, D.C., last week, many members of the audience, including this author, were startled by the tenor of his remarks.

Rohatyn has dedicated his energies in recent years to attacks on Franklin Roosevelt's legacy. Although he likes to represent himself as a great proponent of "infrastructure," Rohatyn (along with his Republican counterpart George Shultz), has repeatedly argued that "we're a long way from the methods of [FDR's] Reconstruction Finance Corporation," preaching instead for private capital control of all new infrastructure investment (public private partnerships or, more popularly, P3s), as well as the selling off, through long-term leasing arrangements, of public works (highways, ports, airports, etc.) to private consortiums of financiers—in essence, the "Mussolini Model" for public works.

The "new," retooled Felix Rohatyn, however, told the assembled governors: While "trillions are being poured into zombie banks, the nation is literally falling apart. America's roads and bridges, schools and hospitals, airports and railways, ports and dams, water lines and air-control systems—the country's entire infrastructure—is rapidly and dangerously deteriorating, while unemployment continues to skyrocket."

Rohatyn said he had come to Washington to issue a

call for action; that the Federal government needs to mobilize \$1.6 trillion in public infrastructure investments over the next five years, preferably in the form of an FDR-styled Federal capital budget. He extolled the virtues of Abraham Lincoln, who backed the Transcontinental Railroad as the Civil War raged, and of FDR, who routed electricity to farms and rural communities, and initiated the largest public works projects in U.S. history amid the Great Depression. In what the naïve might take as a change of heart, he promoted Roosevelt's Reconstruction Finance Corporation (RFC) and Tennessee Valley Authority as national models for the kind of infrastructure investments necessary.

The RFC, Rohatyn underscored, "shaped and revitalized our national economy by providing the stream of capital for the men and machines that defeated both the Axis powers and at last the Great Depression." He argued that an RFC could have initiated stress tests on the large banks many months ago, rather than today.

Several of the conference participants, as well as some of the guests, commented that it looked like Rohatyn had "come around to Lyndon LaRouche's point of view." Had he? Had the old fascist banker changed his stripes and found religion? Hardly.

LaRouche himself commented that "the whole debate has shifted. [Rohatyn] recognizes what I've been



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*While fascist Felix Rohatyn (right) has been making a great show of mouthing support for FDR-style infrastructure initiatives, he nonetheless continues to push their antithesis, public private partnerships—financier swindles. In opposition to Rohatyn, economist James Galbraith (left), the son of Roosevelt's economic advisor, has told Congress that there is no workable alternative to putting the major banks in receivership, and having the Federal government establish a National Infrastructure Fund.*

getting done.” LaRouche noted that Rohatyn and billionaire hedge fund speculator George Soros are operating like a tag-team for the international financier networks they represent.

Networks in and around the Obama Administration, just a week earlier, had tipped off LaRouche that a major effort was under way on the part of this crowd to “retake” the Obama Administration. Since Soros’s pro-dope legalization policies have left him largely discredited with an anti-drug President, LaRouche noted that there is now a big effort to bring Rohatyn back into the fold.

### **Attacks on FDR**

Other elements of the drive to “retake” the Obama Administration include a tremendous escalation of attacks on FDR, which promote the fraudulent argument that the New Deal was a “failure” and that, ultimately, the only thing that got the United States out of the Depression was World War II. Not surprisingly, those launching this recent assault are the direct heirs of the same fascist networks that plotted to assassinate FDR. (See Jeff Steinberg and John Hoefle, “Fascists, Then

and Now, Stalk the FDR Legacy,” *EIR*, Feb. 27, 2009.)

Around the same time, in what was clearly a coordinated effort, a flood of articles suddenly deluged newspapers and blogs across the United States, blaming the current financial collapse on former President Bill Clinton. Headlines screamed, “Facing Foreclosure? Thank Bill Clinton.” In interview after interview, Clinton was confronted with his Administration’s foolish complicity in the repeal of the Glass-Steagall Act, which separated investment banking from commercial banking, thereby rein-ing in speculation. The interviewers were clearly attempting to isolate the former President and nullify his influence with the Obama Administration, leaving the Administration once again vulnerable to the likes of Rohatyn and Soros.

Unfortunately, despite the fact that in recent months, Bill Clinton has repeatedly called for re-regulation of the banking industry, he responded to the attacks according to profile, and attempted to defend his Administration’s actions.

Ironically, what Clinton failed to do was counter with the reality of what had actually occurred. Two years prior to the disastrous repeal of Glass-Steagall in 1999, Clinton had embarked on an aggressive drive for a new financial architecture that was strongly influenced by the parameters of LaRouche’s international campaign for a New Bretton Woods agreement. That drive was derailed by the frame-up known as the Monica Lewinsky scandal, and the far more scandalous impeachment of the President. It was then, and only then, with all hope for a new international agreement shattered, that a broken and battered Clinton Administration acquiesced to the speculators’ demands.

In a 20-minute interview on CNBC-TV on Feb. 25, Rohatyn continued to sing the same tune that he did at the Governors’ Conference, emphasizing “public investment in great infrastructure projects,” and never mentioning private investment. However, in other interviews, as well as in the smaller breakdown meetings

at the Governors' confab, he continued to insist that Federal infrastructure "seed investment" needs to bring in private financier funds through tax-exempt bonds issued by a National Infrastructure Bank, arguing that it is the only way to efficiently finance projects like the national network of high-speed rails that President Obama is passionate about initiating.

Anyone with even a cursory understanding of the American System, as it was implemented by President Roosevelt, knows that the method of direct government-generated credit, as initiated by the RFC, is precisely the opposite of the wholesale thievery of the PPP programs trumpeted by Rohatyn.

### **Galbraith Intervenes**

This was apparent in the testimony delivered to the House Committee on Financial Services on Feb. 26 by economist James Galbraith, whose father, John Kenneth Galbraith, was FDR's chief economic advisor.

Galbraith argued that the forecast upon which the recovery bill was based rests on an unfounded "mechanical assumption" that was "based on statistical relationships between non-financial variables." As a result, the recovery bill was too small, Galbraith said. He attacked Federal Reserve Chairman Ben Bernanke for saying in January in London that the "global economy will recover." Galbraith said, "He did not say how he knows. And the truth is, this is merely a statement of faith."

Galbraith stressed that "monetary policy has little power to restore growth. In the Depression they called it 'pushing on a string.'" The problems of the economy go far beyond liquidity, he said, and Bernanke is engaged in "wishful thinking."

Furthermore, Galbraith argued that the Treasury's bank plan will not work. "The latest version of the plan to remove bad assets from the banks' balance sheets is a costly exercise in futility. There is no reason to believe that the 'flow of lending' will be restored, nor that banks which long ago abandoned prudent and ordinary lending practices will now somehow return to them, chastened by events. Why should they change behavior, if their losses are in effect guaranteed by the Treasury Department?..."

"To guarantee bad assets at rates above their market value is simply a transfer to those who hold those assets.... The plan would thus preserve the wealth of bank insiders and financial investors, while failing to prevent the collapse of the wealth of almost everyone

else. I cannot believe that the American public will tolerate this, for very long.... In short, the Treasury plan will not achieve its stated goals, and meanwhile risks both triggering inflation and obstructing growth.

"There is in my view no viable alternative to placing [the big banks] in receivership, insuring their deposits, replacing their management, doing a clean audit, isolating the bad assets.

"And meanwhile, how do we keep the economy running? There should be a public bank to provide the loans to businesses—small, medium, and large—sufficient to keep them running through the crisis. This was the function in the Depression, of the Reconstruction Finance Corporation."

Galbraith also attacked the arguments for "entitlement reform" of Social Security and Medicare as "mistaken and dangerous." Instead, he called for a permanent increase in Social Security benefits to offset the losses that the elderly population is suffering, a payroll tax holiday, and a reduction in the age of eligibility for Medicare.

He called for a comprehensive moratorium on new foreclosures and turning over the entire portfolio of troubled mortgages to an entity like the Depression-era Home Owners Loan Corporation. An HOLC, he said, could distinguish honest from fraudulent borrowers, fit legitimate homeowners into appropriate work-out categories, and manage or dispose of the properties of the rest. Meanwhile, people would enjoy a presumptive right to stay in their homes.

Finally, Galbraith called for a National Infrastructure Fund—a permanent facility that can provide funds to state and local governments and to regional authorities independently of market conditions, while serving as a source of standards and providing a measure of oversight.

However, perhaps because he was intimidated by the fact that he was testifying before Rep. Barney Frank (D-Mass.), who along with House Speaker Nancy Pelosi, have sabotaged the initiative in favor of bailing out Wall Street, Galbraith failed to do the obvious, and issue an explicit call for the immediate implementation of LaRouche's Homeowners and Bank Protection Act (HBPA), even as it is garnering accelerating local and state support. The HBPA, and an accompanying National Banking Reform Act, as per LaRouche's most recent initiative, represent the only legitimate alternative to the current meltdown of the U.S. banking system.