

# Who's Controlling Congress; When Will We Oust the Traitors?

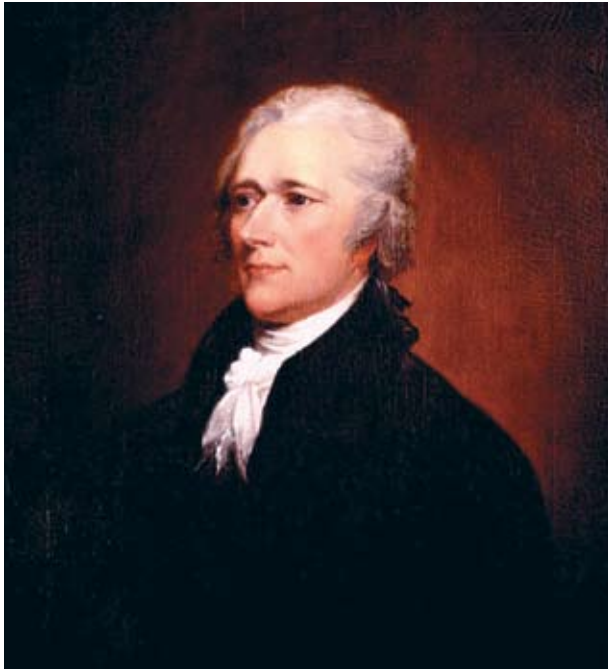
by Nancy Spannaus

*A memorandum issued on Feb. 1, 2008, by the Congressional Research Service (CRS), purporting to provide an “authoritative” analysis of Lyndon LaRouche’s Homeowners and Bank Protection Act proposal (HBPA), reveals that those advising Congress on this matter are ignorant, or lying, about not only the fundamental realities of the economy, and of the nation’s history, but also, of the fundamental Constitutional principles upon which the United States and its laws are based. As the breakdown of the world financial system, which reached a turning point in July 2007, accelerates to the point of threatening utter catastrophe for all nations, including the United States—a catastrophe which can only be halted by implementing the HBPA as a firewall against such disintegration—Congress continues to block such measures, in defiance of the great principle of that Constitution expressed in its Preamble.*

*Rather, since the misleading assertions of that CRS report amount to a virtually treasonous sacrifice of more and more of what remains of the U.S. economy to the predators that created this crisis, it is high time that Americans wake up to the fact that their elected representatives are being controlled by de facto traitors. Whether witting or not, the authors of the CRS critique of LaRouche’s HBPA are spewing the lines of both the past and present British enemies of the United States, and, for that offense, they must be exposed, and rejected.*

Across the nation, and even in some of the financial press, the myth of a “housing crisis” has finally begun to be swept away, revealing that it was the worldwide banking system that underwent a crash, back in the Summer of 2007. Thus, hit by both the ongoing spiral of increases in foreclosures, and the financial disaster, more and more local and state governments are taking another look at LaRouche’s HBPA. Since that proposal was first issued in August, more than 75 cities have passed some version, and three state houses have followed suit. In virtually every case, these were the result of vigorous, and sometimes heated, debate about the contents, as well as its author.

Given the escalating rate of financial collapse, the surge of support is guaran-



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*LaRouche's Homeowners and Bank Protection Act would protect people in danger of losing their homes, as well as banks that are essential to communities, at a time of global financial meltdown. This would mean a revival of Alexander Hamilton's American System of political-economy, as against British free trade. FDR did it in the 1930s; but the Congressional Research Service doesn't get it!*



EIRNS/Stuart Lewis

teed to rapidly increase in the weeks ahead.

The form that the HBPA resolutions take is necessarily a demand aimed at the U.S. Congress, the only body with the Constitutional authority to take the necessary action in this crisis. And Congress, despite its awareness that more and more of its constituents are demanding that it enact emergency measures to set up protection for the banks and the homeowners, has either stonewalled, or moved in the opposite direction, protecting the speculators instead.

The reasons for Congressional inaction are located primarily in Ms-Leadership, otherwise known as House Speaker Nancy Pelosi. Pelosi is increasingly well-known as a stooge of that fascist banker Felix Rohatyn (see box), whom she periodically brings in publicly to consult on economic policy, despite the fact that Rohatyn's economic policies stand exposed, primarily by the LaRouche movement, but by others as well, as "updated" versions of Mussolini-style corporatism, and Schachtian austerity. With Pelosi in charge of the Congressional agenda, it is clear to well-meaning Members of Congress that they are not going to make headway with the HBPA.

But, Pelosi is not the only obstacle in the way of Congressional action. Rohatyn may be among the most prominent and aggressive of the "Democratic" fascists advising the Congress, but he is joined by a host of hedge funds (on whom most

Congressmen depend for campaign contributions), and other advocates for the speculator/financier community, who muster one British free-trade argument after the other in support of the idea that the HBPA cannot be passed. Among these representatives we now find an employee of the Congressional Research Service, Government and Finance Division, who, upon the request of a Congressman, prepared the Feb. 1 report on LaRouche's HBPA.

The CRS was established under the name of the Legislative Reference Service in 1914, by President Woodrow Wilson. In 1970, its name was changed to the current one, and the agency's mission was defined as producing analyses for Congress that are "confidential, authoritative, objective and non-partisan." Since Wilson was committed to reorganizing the Federal government into a variant of the British parliamentary system, it is not surprising that the permanent bureaucracy within the CRS would reflect British, anti-American values and biases. This may not have been the case through the agency's lifetime, but it certainly is today.

At first blush, the CRS's memorandum on LaRouche's outline for the HBPA appears to be an amiable rebuttal, lacking the usual egregious slanders and misrepresentations, and at least taking the proposal seriously. But a closer reading unveils just how treacherous the author is.

First, the author *lies* about the content of the HBPA. In the Aug. 22 leaflet announcing the drive for the HBPA (the memorandum includes a link to the LaRouche PAC website where

the leaflet is posted: [www.larouchepac.com](http://www.larouchepac.com)), LaRouche outlined three essential features of the legislation: 1) establish a Federal agency to place the Federal- and state-chartered banks under protection, and to freeze all existing home mortgages; 2) freeze all foreclosures, and permit homes to be retained with monthly rental payment equivalents, to designated banks; and 3) give state governors the administrative responsibility for implementing the program, while the Federal government provides the necessary credits and guarantees to assure the transition. (For the full text, see box). Yet the CRS researcher comes up with his own three points, only one of which corresponds to LaRouche's.

The CRS's first item is headlined "Replacing the Federal Reserve with a Federal Agency and Nationalizing Banks." While LaRouche's initial statement mentions transforming the Fed into a Third National Bank, as a subsequent measure to erecting the HBPA firewall, it is *not* one of the emergency measures. The idea that the HBPA calls for nationalizing the banks is an outright falsehood, meant to serve as a red herring.

The second item actually does correspond to the HBPA, and is entitled "Freezing Mortgages, Halting Evictions, and Establishing Monthly Rental Payments."

The third item also deals with a measure LaRouche's Aug.

## The Homeowners and Bank Protection Act

*This is the original model proposal for an HBPA, made by Lyndon LaRouche in late August 2007, of which a variety of versions have been passed by more than 75 cities, and 3 state legislative bodies, around the United States.*

*Whereas*, the onrushing financial crisis engulfing home mortgages, debt instruments of all types, and the banking system of the United States threatens to set off an economic depression worse than the 1930s; and

*Whereas*, millions of American citizens are threatened with foreclosure and loss of their homes over the upcoming months, according to studies released by Realty Trac and Moody's Economy.com; and

*Whereas*, this financial crisis is now threatening the integrity of both state and federally chartered banks, as typified by the run on deposits of Countrywide Financial in California during the month of August; and such a banking collapse would wipe out the life savings of American citizens, and drastically undermine the economic stability of our states and cities; and

*Whereas*, in a similar financial crisis in the 1930s, President Franklin D. Roosevelt intervened to protect banks and homeowners; for example in April, 1933 he introduced legislation as a declaration of national policy that the broad interests of the Nation require that special safeguards should be thrown around home ownership as a guarantee of social and economic stability, and therefore,

*Be it Resolved*, that the State of /City of/ hereby endorses the Homeowners and Bank Protection Act of 2007, as initiated by economist Lyndon H. LaRouche, Jr. This crisis is such that it requires emergency action that only

the United States Congress has the capability to enact. Congress must move quickly to keep people in their homes and avert social chaos. This act includes the following provisions:

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.

22 statement describes as a follow-on to the HBPA: “The negotiation of a New Bretton Woods to establish fixed exchange rates.” While it is useful that this element of LaRouche’s program is included, it is not part of the HBPA.

The conclusion of the CRS memorandum is mealy-mouthed, consisting of a series of statements that the HBPA measures, as misstated above, “could” have some “potential advantages,” which would be “accompanied by potential unintended consequences” that the author considers negative. The assumption behind such statements is a little-disguised theory of statistical probabilities, an anti-scientific Cartesian mishmash. The intent is obviously to discourage any Congressional action on the legislation. And it is known that, in at least one case, the memo’s lying argument about “nationalization of the banks” was picked up, by some route, and used to attack the bill.

The best way to counter this poison from the CRS is to expose both its stupidity, *and* the treasonous assumptions on which its analysis are based. We begin with the blatant denial of the reality of the economic-financial collapse. Next we deal with the shameful disregard for the historical reality of the U.S. economy. Most important, however, is the question of *principle* involved here. What can be demonstrated, without doubt, is that, whereas the HBPA proceeds from principles firmly, and uniquely, established in the U.S. Constitution, the CRS analysis is based upon the dictates of Anglo-Liberalism and free trade.

The consequences are a life-or-death issue for Americans. Adopt the British assumptions, and you condemn both our nation, and the world, to early destruction. British economics today is no less than treason.

## The System Has Crashed

At the time LaRouche proposed the HBPA, it was already evident to him that the world financial system had crashed, and could not be put back together again. What concerned him was the danger of an uncontrollable, chain-reaction, hyperinflationary collapse proceeding from the financial disaster. That, LaRouche emphasized, could set off a process leading to world depopulation, similar to that of the 14th-Century Black Death, if the British imperial financial oligarchy held on to their political control.

For a few weeks and months after the July crisis erupted to the surface, triggered by the collapse of two hedge funds spawned by Bear Stearns, it was considered politically correct to call it a “subprime crisis,” or a “mortgage crisis.” But this was not to last long. The market for speculative paper immediately began to dry up, creating what was euphemistically called a “credit crunch.” The reality was that all the major banks were in danger of being exposed as bankrupt, and they were trying to cover over that fact.

It didn’t take long for the central banks to get the message. The Federal Reserve began in mid-August to sharply lower interest rates for the banks, and has stayed on that track ever

since. In addition, *trillions* of dollars has been made available to the banks from both the Fed and the European Central Bank, often in return for those central banks taking in worthless paper “assets,” such as mortgage-backed securities. Despite these efforts, all major banks reported huge losses in the third and fourth quarters of 2007. Thus, on March 17, the Fed committed itself to billions more for the banks, over the next six months, allegedly to “prevent” a systemic collapse. This is clearly a *bankruptcy* crisis.

The reality is, as LaRouche said March 25, that, if the Fed had not moved with its huge, and illegal, bailout of Bear Stearns on March 17, Congress would have been forced to take emergency action to put the system into bankruptcy, LaRouche’s way.

Yet, while mentioning that LaRouche’s HBPA has the express purpose of avoiding a “disintegration of the global financial system,” the CRS analyst proceeds to ignore the current financial blowout, and its consequences for the real economy—including lack of funds for local government budgets, and dramatic increases in inflation in the essentials of life, especially food and fuel—and proceeds to speculate on the alleged consequences of implementing LaRouche’s measures. In plain language, the analysis is insane.

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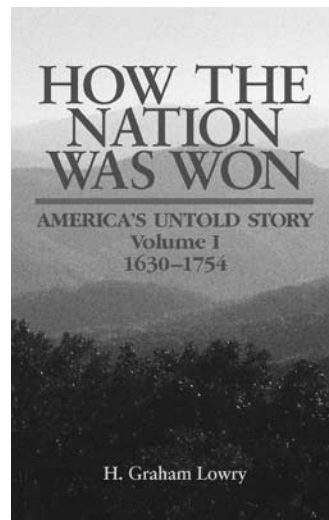
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## What Planet Are You On?

The absurdity of the CRS's denial of the ongoing bankruptcy-collapse is matched by the analyst's attempt to shoot down LaRouche's proposals with an historical review of the way the financial system has functioned since the Bretton Woods system was established in 1944. He's lying, or, is he living on another planet?

Two examples suffice to make the point: his treatment of the Federal Reserve and its role in the banking system, and his discussion of the functioning of the Bretton Woods system.

### 1. What a banking system is about

Crucial to the analyst's argument, is his commitment to the independence of the Federal Reserve. "Although critics of the Fed may want the central bank to be more responsive to real suffering, there is little evidence that a less independent central bank would improve economic performance," he writes. That whopper is followed by an assertion that LaRouche's plan to protect the chartered banks with a new Federal agency "may be redundant because many banking activities are already under the protection of federal banking regulators."

## Congressional Research Service on the HBPA

*Here is the conclusion of the CRS memo of Feb. 1, 2008, "Subject: Lyndon LaRouche's Home Owners and Bank Protection Proposal."*

A mortgage freeze and reorganization of the banking system could provide some relief to currently troubled borrowers and make the central bank more responsive to the electorate. These potential advantages are accompanied by potential unintended consequences. A less independent central bank could result in higher long-term inflation rates without improving other real economic variables. Moral hazard could cause some borrowers to default on loans that they could otherwise make payments on. State governors would have an incentive to free-ride on the federal banking protection and set home rental payments too low and undercapitalize the banks. Freezing the housing market could prolong the glut of unsold homes and delay recovery. The new Bretton Woods system could result in destabilizing capital flows, especially because the new central bank would be even less insulated from domestic politics than the Federal Reserve.

The most fundamental problem here is that this analyst, schooled in British monetarist economics, has no clue as to what improved economic performance actually is. His reference to the objectives of price stability and maximum employment provides no scientific measure, which measure requires defining economic and scientific progress in relation to the productivity of labor, living standards, and technological development. Under his standard, periods such as the 1990s, which saw rapid expansion of the money and service economy, but a collapse in overall living standards and vital infrastructure, would be considered prosperous—as they were not. "Improved economic performance" to him clearly means the *money* economy—not the physical economy.

And as for "independence," that is a misnomer as well. The Fed has been, for most periods of its history, a fully controlled tool of the money-center banks, if not of the City of London itself. What it is independent of, are the commitments of the Constitution's Preamble—most specifically, providing for the general welfare.

But, going back to the CRS assertions, we find that they fly directly in the face of recent history.

The one period during which the Fed was less independent, came under President Franklin Roosevelt, who used his Fed chairman, Marriner Eccles, to steer monetary policy in sync with his programs for massive infrastructure investment, and raising living standards for the poorest of the poor. FDR, unlike the proponents of the British school of economics, did not adhere to the view that the Fed was tasked with servicing the financial markets: He came into office explicitly committed to driving the money-changers out of the Temple, and freeing the American people from the predators of Wall Street. It's fashionable on Wall Street these days, to claim that FDR's economic program was a failure—but if you ask the surviving citizens of those years who were saved from starvation, protected from homelessness, and trained for productive work, you will get the true story. The CRS author lies again.

From the moment of his bank reorganization, FDR understood the Federal Reserve and the chartered banking system to be tools for advancing the general welfare, and he wielded his political power against the financial interests, led by the British, who opposed him. It was for that reason that he introduced a series of regulations over the banking system, both to prevent abuses, and to ensure sufficient, low-interest credit for the projects that were vital to rebuilding the economy. The Federal Deposit Insurance Corporation and the Securities and Exchange Commission were created by FDR, along with many regulations, such as the Glass-Steagall Act, to discipline the banking system, to act for the general welfare.

In his Memorandum, the CRS analyst asserts that Federal banking regulators are already on the job protecting depositors, insinuating that LaRouche's proposals for protection are unnecessary. But, there is not a word about the fact that FDR's systems of regulation have been systematically dismantled over the last 35 years—to the point where any honest banker,



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*"It's fashionable on Wall Street these days, to claim that FDR's economic program was a failure—but if you ask the surviving citizens of those years who were saved from starvation, protected from homelessness, and trained for productive work, you will get the true story." Here, FDR, campaigning for President in 1932, in West Virginia's coal-mining region.*

or regulator, will tell you that it's impossible to know what the exposure of most banks is. As for hedge funds, and other funny-funny instruments—they are literally "off the charts."

The analyst also ignores the intent of the protection which LaRouche is providing—which corresponds precisely to that which FDR carried out in his Banking Act of 1933. The purpose of the protection is not to save the trillions of dollars of "investment" or speculation that can never be saved, but to ensure that the banks can carry out their vital economic functions for the community—meeting payrolls, servicing mortgages, providing for the necessities of a productive agro-industrial economy.

## 2. FDR's anti-imperial Bretton Woods

The CRS analyst's discussion of the international financial system is equally duplicitous, and proceeds from a monetarist standpoint.

In reality, FDR's Bretton Woods proposal was shaped to create an international system of cooperation that would allow for long-term capital investment, particularly from the developed countries that had won World War II, to the anticipated-to-be-freed colonies in the so-called Third World. The fixed-exchange-rate system was important because it was integral to that overriding purpose, and because it respected the sovereignty of every nation to fix its own currency, although in relation to the world's dominant one, the U.S. dollar. Capital controls, to protect a nation from financial imperialism, were a feature of the Bretton Woods system.

The anti-imperialist thrust of the Bretton Woods system,

as conceived by Roosevelt, is totally ignored by the CRS analyst, in favor of a technical discussion of exchange-rate pegs. Rather than attribute the collapse of the Bretton Woods system to the *intent* of the British-dominated international financial slime-mold, the writer simply says that "frequent currency crises disrupted international markets." He admits that the post-Bretton Woods system has brought "potential negative effects of volatile exchange rates and capital flows," but gloats that the United States can do better than most countries under this circumstance. His world is a Hobbesian one of each against all, and out of touch with the stunning collapse of the dollar as well.

Why not reestablish fixed rates, as LaRouche proposes? The CRS writer really has no answer, except to muse that it might be hard to maintain a fixed exchange rate, and protect the domestic banking system at the same time. Huh? Has he ever looked at the disastrous waves of destruction that have hit nation after nation, as a result of British-directed currency speculation? *Without* protection, whole banking systems have been taken over by new mega-banks, best described, as LaRouche does, as Anglo-Dutch slime-molds which operate

on the Venetian model, sucking the lifeblood out of everything they touch. This is the reality of the last 40 years, which must be reversed if this planet is to survive.

What planet has he been living on?

## A Matter of Principle: The General Welfare Versus British Free Trade

Ultimately, the only basis on which the HBPA, and the opposition to it, can be judged, is through understanding the questions of principle upon which LaRouche's proposed legislation is based. The HBPA proceeds from the mandate of the highest law of the land, the U.S. Constitution, which itself is defined by the solemn commitments of its Preamble:

"We the People of the United States, in order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America."

*There is no law higher than the Preamble of the U.S. Constitution.* And there is no contradiction, indeed, there is total congruence, between the intentions expressed in the Preamble, and the Declaration of Independence, which proclaims our support for "life, liberty, and the pursuit of Happiness."

When we talk of the principle expressed in the Preamble, we are not speaking of an abstract legal framework. The principle of the "general welfare" derives directly from the anti-British imperial, republican fervor of those Europeans who colonized these United States, and who were willing to

fight, not just one, but three bloody wars to secure the “blessings of liberty” for their nation, and as a model for all mankind. Not every American agreed with this principle, of course. There were intense political battles from the beginning, over whether the Federal government would be permitted to exercise its power to ensure the means for achieving the general welfare.

But the *idea* that inspired the Founders of the nation, from the Massachusetts Bay Colony forward, was the principle of the general welfare: that all human beings are equally made in the image of the Creator, and that it is the obligation of government to promote the conditions where people, as creatures of cognition and reason, can develop and cultivate their powers of cognition and reason, to develop all children, and future generations as well.

The Founders, especially Benjamin Franklin, Alexander Hamilton, and George Washington, understood that to accomplish this objective, they needed to found a sovereign nation-state, which was responsive to this principle. Thus, the national government they crafted contained the powers required, including the ability to protect the nation’s people from the Mother Imperial Power, the British Empire. First and foremost, this ability included the power of the Federal government, notably the Congress, to control the currency, and create *credit*. The monetary system was, therefore, not an international market to which the nation and its people were to be subservient, but a *servant* of the needs of the people.

This conception led to measures that clash directly with those of the British, who fought the American System from both outside and inside the country. Among the first measures was the tariff system, shaped to protect the industries necessary to nourish and defend the country. Next came the National Bank, which was devised so as to fight speculation and usury, and provide credit for physical agro-industrial growth—in sharp contrast to the Bank of England, which was devised to loot the public for private interests. Finally, after a considerable battle, came the role of the Federal government in financing the creation of national infrastructure, and then, in FDR’s time, the creation of safety-nets for the population, that were based on the very Christian idea, that the welfare of the least among us, is intimately connected to the welfare of us all.

In all these areas, the British imperial system launched ideological, and financial, counterattacks. The whole idea of protection was attacked with trade war, and propaganda by the likes of that anti-American Adam Smith. Hamilton’s National Bank, which was intended to eliminate the slave system, and build a thriving independent nation, was destroyed by that British populist puppet Andrew Jackson, and never revived. Indeed, the whole principle of sovereign control over the U.S. currency was attacked, until, with the elimination of the Bretton Woods system in 1971-73, the dollar essentially became of tool of the British in-

ternational financial oligarchy.

The British objective was, and continues to be, to destroy the very existence of the United States, and what it represents.

Of special relevance to the British ideological attack on the HBPA, and the necessary bankruptcy reorganization of the U.S. financial system as a whole, is the uniquely American conception of bankruptcy law, which is, in itself, a reflection of the moral republican foundation of the United States.

Under traditional English law, and other oligarchical forms, contracts were considered sacrosanct, and debts were to be paid at all costs, even at the cost of the life or liberty of the debtor. To be bankrupt was a *crime*. (Can you hear in the background the CRS denunciations of “moral hazard”?)

But, from the beginning, American law proceeded from a Leibnizian, Platonic standpoint, which called for the application of the concept of “equity,” when the strict enforcement of a contract, or the law, would cause an injustice or terrible hardship—or had come about by fraud (mortgage fraud, anyone?) or accident. Thus, the U.S. Constitution contains a provision for uniform bankruptcy laws throughout the country, and over the nation’s history, periods of economic distress led to passage of national bankruptcy laws to mitigate hardship for the population.

It was not until the 1930s, that bankruptcy laws were passed that pertained to corporations, or artificial entities, rather than just persons. On June 7, 1934, FDR signed the Corporate Reorganizations Act, which stated that, “While this bill was framed with a due regard for the present and immediate prospective economic conditions, it is believed that an expansion of the opportunity for amicable adjustment by debtor and creditors, under the supervision and protection of the bankruptcy courts, and for holding property of the debtor intact with its operation disturbed as little as practicable such as is provided for by this bill, will prove itself to be of permanent helpful assistance both to distressed corporations and *in line with the public interest*” (emphasis added).

This concept of bankruptcy protection in the public interest, otherwise to be called the general welfare, is what concerns us today. It calls for freezing collection efforts against an entity, and maintaining that entity’s ability to continue to operate. The entity is also permitted to obtain new credit necessary for ongoing operations, implicitly beginning with a clean slate, with the old debts in deep freeze. The purpose is to keep productive activity going, because it is in the interest of the community as a whole.

This is precisely the kind of protection which is required today for our *bankrupt* chartered banks, and for much of our industry, and many of our families as well. Only those who intend to destroy the nation, or are too stupid to realize what they are doing, would oppose providing such protection to homeowners and the banks. It is a question of the general welfare, and can only be postponed at our peril.