

The Failed System Has Become Unmanageable

by John Hoefle

Dec. 18—It was a wild week in Washington. President George W. Obama started it off by proclaiming that “I did not run for office to be helping out a bunch of fat cat bankers on Wall Street,” a statement that flies in the face of his actions, both before and after his election. On that same Sunday, Obama’s chief economic advisor, the incomparably incompetent Larry Summers, touted the nonexistent recovery, and promised that, from here forward, the administration would be all about jobs.

Bold talk it was, but then bold talk has never been a problem with these clowns. Where they have the problem, is in walking the walk.

To pretend he was serious about whipping Wall Street into line, the posturing President had summoned the leaders of 12 major banks to the White House for a photo-op scolding. The meeting on Dec. 14 was a flop, yielding little more than a few cosmetic concessions. Significantly, the heads of Goldman Sachs, Morgan Stanley, and Citigroup did not even bother to show up, and merely phoned in.

By our count, that made the score Fat Cats one more, Posturing Obama zero. If Obama wanted to show everybody who was boss, he succeeded—it’s the Anglo-Venetian bankers of Wall Street. But then, we all knew that already.

Serving to underscore the power of the imperial bankers, *Time* magazine, in its coverage announcing Fed chairman Ben Bernanke as its Man of the Year for 2009, revealed that Bernanke keeps a photograph of Hjalmar Schacht in his office. Schacht was the German

central banker who, working with the Bank of England’s Montagu Norman, arranged financing for the rise of Adolf Hitler, and then became Hitler’s economics minister. Hitler, like Obama, was a creature of the bankers.

The TARP Fiasco

The next major embarrassment for the Obama regime came as a result of pushing the big banks to repay the funds they obtained under the Troubled Asset Relief Program (TARP). The Administration’s push for early repayment was a blatant political move to try to halt Obama’s precipitous slide in the polls, in the hope that the Administration could both claim that the bailout was now over, and that the repaid money could be used to help create jobs.

The Administration’s demand that banks that are hopelessly bankrupt fork over tens of billions of dollars of government funds is a pretty stupid move. That stupidity was matched by the banks, which agreed for their own reasons to go along. Bank of America repaid \$45 billion on Dec. 9, allowing it to escape the government’s pay restrictions at a time when it was shopping for a new CEO; but to do so, it had to take on an additional \$19 billion in debt, through the sale of securities convertible to common stock.

Then came Treasury’s agreement with Citigroup and Wells Fargo, and here the incompetence reached new levels. Both banks would be required to raise huge amounts of capital by selling stock and stock-related securities. Both banks announced their intention to pay

back the funds on Dec. 14, with Citi having to raise \$20 billion and Wells Fargo \$10 billion. Rather than spread these huge sales out, regulators let them occur at roughly the same time: Wells Fargo raised \$12 billion on Dec. 15, and Citi raised \$20 billion the next day.

Though successful, Citigroup's sale did not go smoothly, as the bank was forced to offer its stock at a lower price than planned, a price so low that Treasury cancelled its own planned sale of Citi stock, to avoid losing money.

Allowing both sales to occur so quickly shows the desperation gripping the White House, as its policies and its popularity disintegrate. On top of that, the IRS—a division of Treasury—slipped Citigroup a tax break worth as much as \$38 billion, to help the TARP deal go forward.

The three banking deals were record-setting. The Citigroup stock deal was the largest equity offering in U.S. history, with the Bank of America deal coming in at number three, and the Wells Fargo at number five.

This episode is evidence of what we've said all along: These so-called experts are a bunch of fools whose efforts to "save" the system are only making matters worse.

Pushback

This staggering level of cluelessness and incompetence has triggered some significant pushback, even in Washington. Most notable is the introduction of legislation to reinstate Glass-Steagall, the 1933 law which forced the separation of commercial banking and investment banking. The Glass-Steagall Act, also known as the Banking Act of 1933, was used by President Franklin Roosevelt to force the big banks into line, and end the abuses which helped cause the Great Depression.

The banks, with the help of the Federal Reserve, began chipping away at Glass-Steagall in the 1980s, and got it repealed in 1999. That repeal opened the floodgates, transforming the financial system into the giant, derivatives-fueled casino which blew up the global economy.

Despite the obvious connection between deregulation and the largest financial disaster in history, the Obama Administration and Wall Street have blocked all efforts to reintroduce effective regulation. However, given the continuing collapse of living standards in the United States, and the continuing deterioration of the banks, their ability to block such efforts is cracking.

Senators Maria Cantwell (D-Wash.) and John

McCain (R-Ariz.) introduced the Banking Integrity Act of 2009, this week. Their bill would restore Glass-Steagall as the law of the land. On the same day, the Glass-Steagall Restoration Act was introduced in the House, by Representatives Maurice Hinchey (D-N.Y.), John Conyers (D-Mich.), Peter DeFazio (D-Ore.), Jay Inslee (D-Wash.), Marcy Kaptur (D-Ohio), Jim McDermott (D-Wash.), and John Tierney (D-Mass.).

We view these bills as promising. Restoring Glass-Steagall will not, in itself, restore economic sanity, but it would be a big step in the right direction.

A minor revolt also broke out in the Bernanke confirmation hearing in the Senate Banking Committee. Seven of the 16 members of the committee actually voted to deny Bernanke a second term as Fed chairman.

These are the first signs of life from Congress in a long time.

The System Is Finished!

The posturing of Obama, both here and in Copenhagen, Bernanke's fantasies, and the insane games around the TARP, reflect the intellectual and emotional limitations of our so-called leaders. They are working desperately to defend a system which is destroying them. Their own beliefs are destroying them.

In a recent meeting with his staff, LaRouche put those impulses in perspective.

"Do not assume that they are trying to solve a problem," he advised. "They will say they're trying to solve a problem, but what they're doing will not solve anything! So why are they doing it? Well, first of all, they're doing it, because they're *insane*, in a special way. It's not because they have a motive for success; *they don't have a motivation for success*. Everything they intend to do is failure. They don't want to do anything, which is not, in fact, a failure. The problem you have with them, is, they're determined to defend their failing method, until we're all dead! And then complain they need a second chance."

They have no chance of winning, and as long as we remain under their control, we're doomed, too, LaRouche added.

Our only hope, then, is to break the control of the British Empire, and assert the power of sovereign nation-states. The LaRouche Plan is designed to do just that, and return the world to the path of progress. We are making progress, but that is not sufficient. There is no substitute for victory.

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