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# 'Tantamount to Treason'

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On the cover: Clockwise, from top left: Chris Dodd (D-CT), Henry Paulson, Nancy Pelosi (D-CA), and Barney Frank (D-MASS).

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## Introduction

# It's a National Emergency: Repeal the Dodd-Frank Bill Now!

**E**ven as the ink was drying on Treasury Secretary Hank Paulson's announcement of the multi-trillion-dollar taxpayers' bailout of the speculators holding Fannie Mae and Freddie Mac paper, leading economist and former Democratic Party Presidential candidate Lyndon LaRouche issued a statement demanding immediate repeal of the Dodd-Frank bill, which Paulson is claiming as the authority for this swindle.

"This bill must be immediately ripped up," LaRouche demanded. "It flagrantly violates the U.S. Federal Constitution, which specifically defines the general welfare as the law of the land. This bailout of speculators, at the expense of current and future taxpayers, is illegal. As I have warned for more than a year," LaRouche continued, "this entire global dollar-based financial system is hopelessly bankrupt. The system can not be saved. It entered its final collapse phase in July 2007, just as I identified at the time."

LaRouche also warned that, "Once the American people figure out what Paulson, Dodd, Felix Rohatyn, 'Bailout Barney' Frank, and House Speaker Pelosi have done, they will be out for blood. I wouldn't want to be in the shoes of any member of Congress who signed their name onto the Dodd-Frank bill, which had nothing to do with relief for homeowners facing foreclosure. It was all about the bailout that Paulson just announced. Nobody knows how big an illegal,

unauthorized tax is going to be imposed on American families to bail out these swindlers and speculators, but I do know that it can very likely run into the tens of trillions of dollars."

In line with LaRouche's statement, the LaRouche Political Action Committee (LPAC) has decided to rush this pamphlet into production. We urge you to check the [www.larouchepac.com](http://www.larouchepac.com) website for updates, and ways you can contribute to the fight. Below you will find:

- LaRouche's assessment of the global chain-reaction this bailout will cause.
- LPAC's statement on why the bailout is "Tantamount to Treason"
- LPAC's Fact Sheet on "Who Sold You Out"
- LaRouche's "Three Steps to Survival"
- LaRouche's Homeowners and Bank Protection Act of 2007.

There is no room for delay on this matter. A Constitutionally viable solution to this crisis is known, and available. It only remains for you, the U.S. citizen, to join the one mass organization committed to this solution—LPAC—and act to put that solution into effect.

—Sept. 10, 2008

# Blowing Up the World

by Lyndon H. LaRouche, Jr.

September 10, 2008

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*So far, the world's press had considered only some of the relatively less significant effects of what have become the treasonous implications of the actions of Senator Chris Dodd, Congressman Barney Frank, and Treasury Secretary Paulson. Now, those in the British Empire who may have been gloating, momentarily, should also recognize that the U.S. bomb over which they have gloated, was the bomb on which they have been already sitting at that time.*

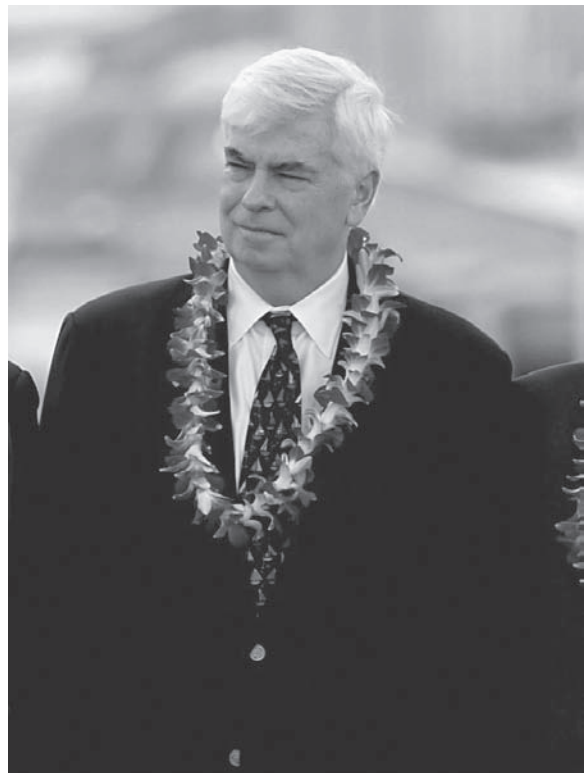
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Senator Chris Dodd and Congressman Barney Frank showed nothing as much as both stupidity and cupidity in setting up the situation for the implicitly treasonous implications of Secretary Paulson's blowing out the U.S. dollar on the eve of the Autumn Presidential election-campaign. The dollar which Secretary Paulson has just blown up, by detonating the explosive charge created by Felix Rohatyn dupe Dodd's initiative, is also that U.S. dollar on which the present world market depends absolutely, still today.

One needs only to consider what only a damned



www.udel.edu



U.S. Navy/Shawn P. Ecklund

*Rep. Barney Frank (L) and Senator Chris Dodd (R) have shown both stupidity and cupidity in handing a blank check to Treasury Secretary Paulson for the bailout of Fannie and Freddie.*

fool would overlook, as the exemplary case of China's relationship to the valuation of the dollar, to see that connection. China's economy depends, both financially and materially, on the valuation of the U.S. dollar. That is typical of the effects of so-called "globalization" and the WTO lunacy on the world as a whole. So, much of the rest of the world, such as Germany and other nations of western and central Europe, for example, depend, directly or indirectly, upon the condition of the physical economy of China. The entire system of so-called "globalization," has been a financial-economic time-bomb, which Secretary Paulson has just detonated.

The many of you out there who had thought I was either unfair, or exaggerating about the Baby-Boomer problem, had better rethink their opinions, if they expect to continue to be viewed kindly among those who they had hoped to consider as being their friends and neighbors. To say that typical products of the systemic political impact of the Baby-Boomer era, Dodd, Barney Frank, Paulson, and President George W. Bush, Jr., are public menaces, is to give them, and most of the complicit Baby Boomers and Buppies generally, a monstrously large benefit of the doubt.

To you, the dim-wits who authored this national tragedy, I say, "You could not have pulled off anything as wildly stupid and corrupt as you have done, while my generation was still dominating the leading positions in our government. Turn government over to the next generation coming up now, while popular opinion of the coming weeks might still regard you merely as fools, rather than as treasonous monsters."

A little more than a year ago, in my July 25, 2007 international webcast, I had warned that the present world system had entered a phase-shift into an implicitly hyperinflationary breakdown-crisis. On that occasion, I had proposed a measure, the Homeowners and Bank Protection Act of 2007, which would have been the first step to bringing the presently skyrocketing world-crisis under control. Shortly after that, I presented two additional measures of reform of both the Federal Reserve System and international treaty-arrangements for a New Bretton Woods system. Through those three measures, we could have brought the present crisis under control.

Many of you supported some important parts of my proposals, but through the actions of such people as Senator Christopher Dodd, a publicly avowed dupe of financial predator Felix Rohatyn, who acted in concert with frankly silly Congressman Barney Frank, the way was cleared for a frankly unconstitutional, virtually treasonous piece of Federal legislation which has now been used by Secretary Paulson and a lame-brained President George W. Bush, Jr., to blow out

both the U.S. dollar and also, in effect, to detonate that bomb which is the entire world's present monetary-financial system, into something worse than the kind of hyperinflationary breakdown-crisis which hit 1923 Weimar Germany, into a breakdown-crisis comparable to that which plunged Fourteenth-Century Europe into a prolonged, genocidal "new dark age."

Many citizens, including elected officials, on the level of state and local government, supported my proposed emergency action on the housing and banking crisis. Therefore, if those among you on the Federal level, who acted to sabotage my proposed emergency actions, such as Dodd and Frank, among others, must now repudiate your actions in sabotaging my proposals. Otherwise, if you are moral individuals, you will resign your present offices.

We must also take note of the fact, that both Senators Barack Obama and John McCain have reacted as consenting adults to the national perversions launched by Christopher Dodd, Barney Frank, Secretary Paulson, and President George W. Bush, Jr. Clearly, as an immediate first step, some of those named persons should begin the chain-reaction of simply resigning (ritual suicide is not recommended). The editors of the shameful *New York Times*, by the way, should also utter their own mea culpas (on the way out of their present positions) for their part in the related virtual crimes against humanity which they have perpetrated in their shameless corruption of attempting, fraudulently, to bully Rep. Charles Rangel, the Chairman of the Ways and Means Committee, into caving in to what is in fact the treasonous actions of Dodd, Frank, Paulson, Bush, et al.

Senators Obama and McCain, should reconsider their toleration of an implicitly treasonous action, or prepare to enjoy the rising public wrath of those who come to recognize the nature of the swindle, against them, which you have condoned. Obama, by the way, is likely to suffer much more than McCain, from associating himself with the actions of Dodd, Frank, Paulson, and Bush. (Senator Obama need merely address relevant experts who can explain this to him, blow by blow.)

Meanwhile, those who care will join me in the urgently needed actions to save civilization from the monstrous, virtually treasonous action which Dodd, Frank, Paulson, President Bush, and others have perpetrated in promoting this betrayal of our republic to a foreign financier power, the enemy of, in fact, all present and future humanity.

To ordinary concerned citizens who have just been looted beyond belief by the swindlers I have pointed out here, I say: "You know whose doorbell to ring on this matter."

# 'Tantamount to Treason'

The Bush Administration and the Federal Reserve are moving to put mortgage-lending giants Fannie Mae and Freddie Mac under Federal control. This is a move economist Lyndon LaRouche bluntly described as “tantamount to treason.” The government’s claim that this is being done to protect housing is a fraud—this is bailout of the banking system, pure and simple.

Fannie Mae was created by President Franklin D. Roosevelt in 1938, as a government agency to buy mortgages from lenders, as a way of funding the purchase of homes in the Great Depression. In more recent years, Fannie Mae and its sibling Freddie Mac, were taken over by what FDR attacked as the “economic royalists,” and turned into vehicles for derivatives speculation. Under the great Greenspan bubble, Fannie and Freddie were turned into money machines to feed the run-up in real estate values to provide assets—in the form of mortgage debt—as fuel to the derivatives markets. This scheme was bound to fail, as it spectacularly has, leaving Fannie and Freddie, and the U.S. banking system, utterly bankrupt.

However, Fannie and Freddie are at the heart of Treasury Secretary Henry Paulson’s and Federal Reserve chairman Ben Bernanke’s insane scheme to bail out the banks by dumping all their bad mortgage paper into the two government-sponsored enterprises, effectively transferring the banks’ losses to the government, and ultimately to the taxpayer. The government is not really bailing out Fannie and Freddie, but merely funding their conversion into the largest toxic waste dumps in history. Far from being saved, Fannie Mae and Freddie Mac are being destroyed.

The government has already spent trillions of dollars in the attempt to save the banks, in schemes ranging from the economic stimulus program to the ongoing and accelerating loan programs to the banks from the Federal Reserve. None of this has worked, and it cannot.

Not only is this scheme insane, LaRouche stressed, but it is “tantamount to treason” in that it puts an attempt to save the parasitic financial system ahead of the welfare of the nation and its people. What is re-



Army Corps of Engineers

*LaRouche’s “Three Steps to Survival” includes a two-tier credit system, to provide credit at 1-2% interest rates to fund infrastructure development programs. Shown: Construction of the Lake Shelbyville Dam, Kaskaskia River, Illinois, 1999.*

quired, instead, is the immediate passage of LaRouche’s economic national-defense package, beginning with a hike in the U.S. discount interest rate to 4%, to halt the outflow of capital from the country and from the dollar, followed by the enactment of the Homeowners and Bank Protection Act (HBPA), to protect the population while we put the financial system through bankruptcy, and begin the process of rebuilding what these parasites have destroyed. This process will be financed through a two-tiered credit system, in which government credit is issued at low interest rates of 1-2% to fund specific, priority classes of infrastructure development projects, while other borrowing occurs at the higher-tier rate. Having taken these steps, we could then work with other nations, notably Russia, China, India, and Brazil, to implement such a system worldwide, defeating the parasites of the Liberal system, and leading the world into a new era of freedom and prosperity.

We cannot bail out the dead system, and we should not try. What we must do instead, is build our way out of this mess by returning to the principles of the American System of political-economy. To do otherwise is not only insane, it is fatal.

# LaRouche Denounces Treasonous 'Unlimited' Bank Bailout

Lyndon LaRouche denounced U.S. Treasury Secretary Hank Paulson's "unlimited" bank bailout announcement Sept. 7, as "tantamount to treason" against the United States and its Constitution. Paulson's action completely confirms the warning of the LaRouche Political Action Committee (LPAC)—ever since authorization of this Federal bailout action was demanded by Paulson in July—that the Treasury is *not* assisting Fannie Mae or Freddie Mac; it is using them to *pass through* a huge new taxpayer bailout to international banks holding Fannie and Freddie and other mortgage securities. These banks are being aided by the Treasury in postponing the inevitable write-off of trillions in worthless securities, which would expose their bankruptcy. The bailout will not work, except to worsen the ongoing financial crash.

Paulson announced, at 11:00 a.m., the government takeover of Fannie Mae and Freddie Mac, until the end of 2009, and the "unlimited" bailout by the Treasury of Fannie and Freddie securities held by banks.

Both Republican John McCain and Democrat Barack Obama announced they backed the bailout.

Paulson refused to name a figure for the bailout over any time period: Both the new capital being put into Fannie and Freddie by the Treasury, and the Treasury "Secured Credit Lending Facility" opened up to them, are open ended and unlimited (except by the current U.S. Federal debt ceiling). Worse, Paulson announced that the Treasury is mandating the two government-sponsored enterprises (GSEs) to use this Federal credit line to buy *more and riskier* toxic mortgage-backed securities (MBS), and more subprime and undocumented mortgages, through the end of 2009, than they have been buying in 2008.

Worse still, Paulson announced the Treasury *itself* will start buying MBS directly from Fannie and Freddie, whether issued by them or bought by them from investment banks.

A more transparent bailout of \$2 trillion of Fannie



EIRNS/Will Mederski

*Treasury Secretary Hank Paulson's "unlimited" bank bailout is "tantamount to treason." Paulson needs to be looking to LaRouche for solutions.*

and Freddie MBS held by banks and financial funds, and of lenders of mortgages guaranteed by Fannie and Freddie, could not have been proclaimed. Paulson's announcement even extends the "secured lending credit facility" to the Federal Home Loan Banks as well, although no one had reported them to be "in crisis" like Fannie and Freddie; some of the Home Loan Banks have been throwing huge bailout loans at bankrupt subprime mortgage lenders like Countrywide Financial.

Here is the evidence of Paulson's announcement this morning:

"The second step Treasury is taking today is the establishment of a new secured lending credit facility which will be available to Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. Given the combination of actions we are taking, in-

cluding the Preferred Share Purchase Agreements, we expect the GSEs to be in a stronger position to fund their regular business activities in the capital markets. This facility is intended to serve as an ultimate liquidity backstop, in essence, implementing the temporary liquidity backstop authority granted by Congress in July, and will be available until those authorities expire in December 2009.

"Finally, to further support the availability of mortgage financing for millions of Americans, Treasury is initiating a temporary program to purchase GSE MBS. During this ongoing housing correction, the GSE portfolios have been constrained, both by their own capital situation and by regulatory efforts to address systemic risk. As the GSEs have grappled with their difficulties, we've seen mortgage rate spreads to Treasuries widen, making mortgages less affordable for homebuyers. While the GSEs are expected to moderately increase the size of their portfolios over the next 15 months through prudent mortgage purchases, complementary government efforts can aid mortgage affordability. Treasury will begin this new program later this month, investing in new GSE MBS."

## WHO SOLD YOU OUT?

# Hank Paulson's Trillion-Dollar Taxpayer Bailout of Speculators

### 1. What Is It?

What Hank Paulson announced over the weekend is an unlimited, Federal Treasury, taxpayer-funded credit line, to guarantee banks and financial funds all over the world 100% of the value of their mortgage-backed securities. It is a Federal bailout promise which will completely dwarf the \$30 billion Federal Reserve bailout of the mortgage-backed securities of Bear Stearns in May. It will steal from American citizens and taxpayers on a scale they have never seen before, to the benefit of financial firms. This makes the bailout unconstitutional, a direct violation of the leading "General Welfare" clause of the U.S. Constitution.

This taxpayer bailout of banks and hedge funds, is called by Paulson's Treasury, the "Secured Credit Lending Facility." It has been publicly presented as a takeover and rescue of Fannie Mae and Freddie Mac, the huge government-sponsored mortgage companies. But the bailout credit will *pass through* Fannie and Freddie to the holders of the mortgage-backed securities (MBS) they've issued—that is, to international banks, investment banks, hedge funds, foreign central banks, etc.

A clear tipoff that this bailout is not actually a rescue of Fannie and Freddie? The Treasury's "Secured Credit Lending Facility" will also go through the 12 Federal Home Loan Banks. Nobody's claiming the Home Loan Banks are being "rescued"; but they've been doling out big loans to bail out bankrupt subprime mortgage lenders like Countrywide Financial.

### 2. How Big Is It?

'Unlimited'—the Treasury Department insisted on that.

The only limitation on the size of this bailout, temporarily, is the U.S. Federal debt ceiling. And at the Treasury's frantic demand in July, the Congress raised the Federal debt ceiling, for this purpose, from \$9.6

trillion to \$10.4 trillion. So this bailout could rapidly use \$800 billion of Federal borrowing, raising Treasury interest rates (it's already doing that) and piling on you, the taxpayer, another \$40-60 billion a year in Federal debt interest charges. To give one indication of how big it could get, a memo has been circulating among economists at the Federal Reserve, according to one source, that warns that the Federal debt could reach \$23 trillion by mid-2010, if the unchecked bailout goes forward. That is one warning of how big it could get, but that estimate presumes the rescue is of Fannie Mae and Freddie Mac, not a bailout of the far larger banking system, whose losses are growing by the day.

There are \$7 trillion in mortgage-backed securities held by banks, hedge funds, "investors," etc. They are the means by which these investors bought collection rights on risky mortgages by the millions. *They could and should be frozen and written off for the duration of the financial crisis*; instead, Paulson's Treasury is guaranteeing them at 100% face value. Fannie Mae and Freddie Mac, between them, issued about \$2 trillion of these, and bought another \$1 trillion from other financial firms.

### 3. Who Authorized This Bailout?

The answer is The Housing and Economic Recovery Act of 2008, or HR 3221, passed into law in July, and known as the Dodd-Frank bill—for Rep. 'Bailout Barney' Frank of Massachusetts, and Sen. Christopher Dodd of Connecticut, who was the chosen Presidential candidate of fascist New York banker Felix Rohatyn.

The bill was a Federal bailout of mortgage lenders to begin with. But in July, just before Congress was going to pass it, Treasury Secretary Hank Paulson insisted that the Congress *add to this bill, the "unlimited" authority to bail out Fannie Mae's and Freddie Mac's mortgage-backed securities*. Hank Paulson "delivered" the end of President Bush's threat to veto the

Dodd-Frank bill, in exchange for adding this unlimited bailout.

The Housing and Economic Recovery Act of 2008 doesn't even go into effect until October 1; but *this* part went into effect immediately when the bill was signed into law in July.

Here are the primary sponsors:

- Rep. "Bailout Barney" Frank (D-Mass.)
- Rep. Nancy Pelosi, Speaker of the House—her economic policies are set by Felix Rohatyn, fascist New York banker, speculator and drug legalizer George Soros, and Al Gore.
- Rep. Steny Hoyer, House Majority Leader
- Rep. Rahm Emanuel, (D-Ill.)
- Sen. Christopher Dodd (D-Conn.), chairman of the Banking Committee, the "Senator from Wall Street"; his Presidential campaign was pushed by Felix Rohatyn.
- Sen. Charles Schumer (D-N.Y.) also participated, along with Sen. Richard Shelby (R-Ala.)

#### **4. Who Designed and Backed This Bailout?**

The idea for the Dodd-Frank bill was put in circulation through British-linked anti-FDR economists at the New York Council on Foreign Relations, including, "world currency" promoter Ben Steil.

The bill was specifically designed by Wall Street and London financiers—by Credit Suisse Bank in particular—working with the staffs of Barney Frank and Chris Dodd, and with Paulson's Treasury. It was also pushed by Fannie Mae CEO Daniel Mudd—he lost his job in the big bailout push this weekend, but left with a "golden parachute."

The direct bailout of mortgage-backed securities by the Federal government was also pushed by Morgan Stanley investment bank, and its CEO John Mack. Morgan Stanley became the Treasury Department's advisor in the bailout. And it was pushed on the Congress by chief economist Mark Zandi of Moody's Economy.com, run by Moody's Investors Service—the rating agency which helped trigger the mortgage bubble blowout by over-rating many billions in mortgage-backed securities.

Paulson's Sept. 7 bailout announcement was backed completely by Presidential candidates Barack Obama and John McCain. Obama probably didn't know when he voted for the Dodd-Frank bill in July, that it would lead to an "unlimited" bailout—now he does, and he says, "It had to be done." McCain wasn't present in the Senate when the Dodd-Frank bill was voted. Now he says of Paulson's mega-bailout, "It had to be done."

# LaRouche's

*Here is an excerpt from Lyndon LaRouche's July 22, 2008 webcast, in which he outlined his Three-Step Solution to the ongoing financial breakdown crisis.*

### **Stop the Foreclosures**

What I propose, is to review what I proposed a year ago, in steps: First of all, that all regular banks be put into bankruptcy protection, by the Federal government. This means they will not close their doors. This means that there will be a restriction on which of their accounts will be paid; the rest will be frozen. At the same time, there will be no evictions of householders because of mortgage default. They will remain in their homes under conditions which are acceptable conditions, and they will continue to function under bankruptcy protection. There will be no foreclosures. There must be no more foreclosures, except in the ordinary case, where there should be anyway, because people are leaving or so forth. But where people intend to stay in their homes, there should be *no* foreclosures. We can have foreclosures on things which are, in a sense, held out for rent, but not for occupancy.

That's number 1. The idea is, the first thing you have to do, is you have to save the people. And the people, in general, live in homes.

We're not going to have communities shut down, which means that the local bank on which the community depends for its functioning, will not be closed; the doors will remain open. This, however, is only for certain banks, for banks which are banks of deposit, and chartered under the Federal government and the state governments, as depository institutions which engage in lending.

So therefore, the first thing was the Homeowners and Bank Protection Act. That was necessary. It was presented, it was presented actively around the country. It was blocked. It was blocked by the Democratic Party leadership; blocked by the same people who presumably were enthusiastic, until the recent time, for Barack Obama.

So we see the result. We see that the foreclosures are now moving in. Communities are being shut down. And the banks are closing, like Wachovia and

# Three-Step Solution



EIRNS/Stuart Lewis

*At an international webcast July 22, 2008, LaRouche outlined his “Three Steps to Survival,” and elaborated how they will work.*

others—Wachovia’s a piece of junk, but it also does regular banking, and it gobbled up a lot of small banks. And therefore, we have a threat to the continued functioning of communities in which people live. That is, even if we keep them in their homes, the jobs on which they depend to stay in their homes, are going away, because the banks which are involved with these jobs, are being closed. The rate of bank foreclosures across the Atlantic, and around the world, is beyond imagination.

That’s the first measure. It wasn’t done. A year has passed since I proposed that. It hasn’t been done! Even though towns and city organizations, and state organizations, have proposed that it be done: It has not been done! The Congress of the United States, under the leadership of Nancy Pelosi, has blocked this, absolutely. And she’s on the wrong side. She should

get on another side—outside.

Nothing has been done, to protect the banks. What’s happened? Let’s take a recent case in this vicinity: Bank of America, Countrywide. Bank of America was told to absorb a dead corpse inside its body, Countrywide. We have been destroying banks that should have been saved, by putting the bomb inside them, in order to support institutions which are not worth saving, and should have been allowed to die, because they’re of no use to the community! We don’t need those mortgages! Those mortgages are a problem! We don’t need these things. That wasn’t done.

## **We Need a Two-Tier Credit System**

I had two other proposals, which I put forth during the course of those months: First of the two, we must have a two-tier credit system. Now, I don’t know if Hank Paulson has the knowledge, or guts, to take this up. I’m not sure he has the knowledge involved. He probably will have an inclination or a wish to do something in that direction. But so far, he’s done nothing. He’s a half-competent person, but not fully competent—he’s the Secretary of the Treasury. And I don’t think he, or almost anyone else, in authority in Washington, has the guts to do what I’ve proposed: create a two-tier credit system.

In other words, the proposal is: 4% is the standard interest rate for regular banking, the basic interest rate. The purpose of that is not just adjusting the in-



Photos and collage EIRNS/Stuart Lewis

*LaRouche's HBPA will protect homeowners threatened with foreclosure, by arranging monthly payments to designated banks, which can use the funds as collateral for normal lending, thus recapitalizing the banks. Shown: some of the thousands of foreclosed homes across the country.*

terest rate. We have a situation, now, where our enemy—as it was in the time of Aaron Burr—is Merrye Olde England! And Merrye Olde England set up a system in Europe, under which England, Great Britain, has the highest official interest rate; Europe has a slightly lower interest rate. And the United States has been driven down to 2% and is threatened with going lower, which is insane.

This manipulation has the following effect: The British are determined to destroy the United States. That's what that is about—and they say so! And many in Europe are out to destroy the United States. They say, "Good!! This is going to destroy the United States!" And that's what the 2% interest rate, borrowing rate, is: Destroy the United States.

Because, what happens then, with the 2% interest rate, the discount rate, what you get is an outflow of the financial capital *from the U.S. banking system!* I am determined that I can beat the British, and sink them, and kick Europeans who cooperate with the British in the head, by a 4% standard rate throughout the Federal Reserve System. Why? Because the British are a bunch of parasites. They don't use the money

for solid investment. The continental Europeans are not allowed to do that, under the Maastricht agreements. Therefore, if you protect bank deposits by having a 4% interest rate in the United States, that means that you're going to keep your financial capital that's viable, in those banks. That is, you're not going to take the capital out of the banks, and put it on the street, for lending. You're going to keep it in the bank, but you're going to use the bank credit of that financial capital *in the bank*, as a lendable asset, which you will lend, either at 4%; or, with government protection, Federal government protection, as low as 1-2% for special projects.

That means that the capital of the United States, including its financial assets, its credit, *will not be depleted, the way it's being sucked dry now!* We don't have to have a 5% interest rate, of the type the British are using. We don't need that. Because the British are a bunch of parasites. They don't invest in their own country. *We invest in our country. We have to invest in our country.* Therefore, if we have credit in the bank, we're not going to take the money out of the bank.

What we're going to do: The Federal government will simply take the fact that the Federal Reserve System banks, and their affiliates, have credit in the form of deposits, or the equivalent of deposits, in the bank. They will now issue loans, which will be new money, in a sense, in circulation, for specific purposes, on the basis of the asset, the financial asset which remains in the bank. In other words, the first thing here is to keep the financial assets of the United States' regular banking system, as much as possible *inside the United States*. Don't deplete that capital, by shipping it out and loaning it. Keep it in the banks as credit, under Federal regulation, with the assistance of the Federal Reserve Board. Then use that credit *in the banks*, to utter new credit, for authorized purposes to make the economy grow, and to solve some of the problems.

That's a defensive measure. It's not a solution; it's a defensive measure.

## **Put the Banking System Under Federal Protection**

We had a similar kind of situation in the past. Roosevelt did that, in his own different way, under different circumstances. *We need to have a growth program—now! A physical growth program!* Not a financial growth program, as such, but a *physical* growth program. We have people losing jobs, we have communities disintegrating. We have infrastructure going, we have health care collapsing. *We need tangible investments!* Job-creating investments. Physical

capital investments. Infrastructure investments. *We need them!* We've got to increase our rate of employment, of productive employment especially. We don't need more bookkeepers. Look what they've done to us! What we need is *work*. We need significant production.

So, at the first stage, we have to say, on a Tuesday for example, that, "now, the banking system is under protection." And the Federal Reserve System is bankrupt. So what? The Federal Reserve System is not the U.S. government. The Federal Reserve System is a chartered banking system. It will be put into receivership, for protection, by the Federal government. Then it will function, like a regular banking system, under the U.S. Treasury! The credit it uses will be the debt of the U.S. government, under the U.S. credit system. And that credit that's generated, will then be used, *through* the banking system—when not directly by the government—to create the additional investments we need to stabilize this economy.

Now, what that means in respect to Europe: Europe, today, Western and Central Europe, under Maastricht, is not *allowed* to do anything intelligent. It's a British trick. So therefore, Europe is not able to do this, as long as it remains under the Maastricht dictatorship. We are free. If we can get rid of that idiot in the White House, or get him under control—we are free to begin a defensive measure, to defend the U.S. banking system, *to build up the relative value of the dollar, relative to every other currency on this planet!* And our friends in China will be happy with that. Because, right now, they're about to lose everything, because of the collapse of the dollar.

We are going to defend the value of the U.S. dollar. We are going to increase its value on the markets, by doing this, by these kinds of measures—if we can get our idiots under control. We *have* to do it: Because if we don't do it, *we will die!*

And the problem is, you've got people who say, "Well, I would like to do that, but you know, it's so risky, it's so awesome, I don't think we could do that." Buddy! You're not telling people what you got to tell them. Look, buddy! The word is, the ship is sinking, *get off it!* Don't negotiate for a new stateroom on the *Titanic!* This thing is going down! You want to go down with it? Well, if you don't want to go down with it, get into this lifeboat. Now! Don't tell me it's too fearful to get into the lifeboat. What you ought to be afraid of, is the sinking ship, not the lifeboat!

And what I'm proposing in this respect, is simply setting up a system, a flotilla of lifeboats, to save the U.S. dollar! And I think we could increase that by about 20 or 30% fairly rapidly—which I think some of

our friends in China will be a little bit relieved by that. Because we owe them a lot, in dollars! And if these dollars are collapsing, that is not good. We have to *defend* the U.S. dollar. It's necessary for us, it's necessary for the world. And there's no "it's too scary." No, it's not "too scary." Going down in the *Titanic* is scary. The lifeboat is a little bit worrying, but it's a better option! And any intelligent person would recognize that.

The third thing is, this can't go on indefinitely. We must take measures to defend the U.S. dollar. We must have a goal of increasing the relative value of the U.S. dollar by 20% in a short term. I think we can do it, if we get the right action from Washington.

### **The Four-Power Alliance**

All right. But now, we've got to go to a further step: We then have to go—and this is going to be the tricky one. This where you send Obama to the woodshed, or someplace else. We have to have a Presidential candidate of the United States—because we can't wait till November—some time in the short time ahead; we have to have a leading Presidential candidate of the United States affirm what I have proposed be done: That is, the United States must propose to the governments of Russia, China, and India, that these four major countries will agree to sponsor a committee, an alliance of powers, including other powers, to establish a fixed-exchange-rate financial-credit system internationally, of the type that Roosevelt intended in 1944, *not* what Truman did in 1945!

### **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 HOMEOWNERS AND BANK PROTECTION ACT OF 2007

# Save the Homeowners, And the Banks!

Here are the essential features of the Homeowners and Bank Protection Act of 2007:

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 pro-

gram, 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.

By September-October, unless this legislation is enacted as a first order of business of the 110th Congress in September, many millions of Americans will be evicted from their homes, setting off a process of social chaos that must be avoided. The freezing of foreclosures is the vital first step in a thorough reorganization.

Under this plan, the Federal Reserve System will, itself, be put through bankruptcy reorganization, and transformed into a Third National Bank of the United States. As developed in LaRouche’s draft platform for the Democratic Party, these actions shall be complemented by the creation, by treaty agreement among leading nation-states, of a new Bretton Woods system, based on fixed exchange rates, and long-term treaty agreements for large-scale development projects on a global scale.

The foreclosure tsunami is occurring, not as a result of a mere housing or mortgage crisis, but a disintegration of the entire global financial system. There is no bottom to this collapse—unless a legislative firewall is created now, and a halt to the income drain on the population, brought on by the hyperinflationary debt bubbles created by Alan Greenspan and his ilk.

Once again, at a crucial inflection point, Lyndon LaRouche has provided the solution which will uniquely remove the nation from the pathway to disaster. Now the question is, will the leaders among the American population stand up and lead the fight to win a human future for our nation, and civilization itself?