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Federally Registered Political Party

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LaRouche:

Put the system into bankruptcy now, You damn fools!

by John Hoefle

December 1, 2008 (LPAC)—"You damn fools, you should put this thing into bankruptcy. You don't have enough money in the universe to pay this bill!" Lyndon LaRouche said in response to the latest, multi-trillion-dollar bailout schemes announced over the past week by Treasury Secretary Henry Paulson, Fed chairman "Helicopter" Ben Bernanke, and the rest of that ship of fools formally known as the President's Working Group on Financial Markets, or, more accurately, the Parasite Protection Team.

"We're about to launch the greatest hyperinflationary burst in modern history, unless we stop this," LaRouche said. "We're on the verge of a hyperinflationary explosion; they've been trying to conceal this hyperinflation by various tricks so far. Now it can't work any more! So they've got to put the thing into receivership! Put it into bankruptcy now! There is nothing to do with this thing except put it into bankruptcy. Paulson, stop being a Christian Scientist! Take your medication! Don't be a Christian Scientist all your life; take your medicine!

"This is not just the U.S.," LaRouche continued. "This is international. As I had warned, this is now going into a hyperinflationary phase. And if you don't want to blow out the world system, you're going to put the damn thing into bankruptcy now! You're going to put the legitimate banks under bankruptcy protection, now! No protection for derivatives, none! But the banks which may be put normally into bankruptcy as a result of that, are put under bankruptcy protection, and the derivatives payments are suspended.

"What that does, that's life and death time," he emphasized. "If you don't do it, you're going to lose the country! Are you going to do it?—That's the whole point!

"Bush may not like it," he noted, "but that's what you have to do! And, if you don't like the result, mail the bill to Bush! The Bush Administration itself, is going totally with the British line. And don't let this lame duck shit on your economy!

"The policy must be to put Citibank and other banks under bankruptcy protection of their normal banking functions, which means freezing all claims based on the speculative investments called derivatives. No bailout for derivatives! Freeze them! Put the whole thing into bankruptcy and supply the protection to the regular functions of the banks. Then you don't have to pay out all that money, you damn fools! You don't have to put a nickel more into bailouts! Just put the thing under bankruptcy protection as I've told you all along, you damn fools!

"Now, you damn fools, do as I told you!" LaRouche concluded. "You did it your way, and that was wrong, and now it's a hopeless case! You've got to do it now my way!"

A surge

While LaRouche singled out the bailout of Citigroup and its lead bank, Citibank, that was just one of a series of actions taken between Nov. 21 and 25, which added a collective $3 trillion to the size of the bailout. The emergency lending facilities and related measures, which started at $40 billion last December, have now grown to over $8 trillion in Federal loans, guarantees, and purchases, with new schemes being added so fast it is difficult to keep up with it all.

The speed with which these bailout schemes are proliferating is itself an indicator of the accelerating rate of collapse in the multi-quadrillion-dollar global derivatives market, and in the securities which the derivatives casino spawned. Since August, the balance sheet of the panicked Federal Reserve has doubled, as Bernanke revved up the electronic "printing presses" in a desperate effort to plug the growing hole.

Another reflection of the desperation of the parasites and their protection team, is the drawing of the FDIC deeper into the quicksand. On Nov. 21, the FDIC announced that, subsequent to a "determination of systemic risk" by Secretary Paulson, the FDIC would begin insuring new debt issued by banks, and would provide 100% guarantees on bank deposits held in non-interest-bearing transaction accounts. The FDIC will guarantee up to $1.4 trillion in new debt issued by banks, as a way of helping the banks borrow money. Over the next couple of years, the banks have some $386 billion in debt payments coming due, on top

Top U.S. Derivatives Bank Holding Companies, at June 30, 2008
($ Billions)

Rank	Bank Holding Company	Equity	Assets	Derivative
1	J.P. Morgan Chase	$133	$1,776	$98,827
2	Bank of America	$163	$1,723	$40,624
3	Citigroup	$136	$2,100	$39,935
4	Wachovia	$75	$812	$4,433
5	HSBC North America	$27	$461	$4,081

Sources: Office of the Comptroller of the Currency, Federal Reserve.

of the massive write-offs coming down the pike. The expansion of deposit insurance to these transaction accounts could cost the FDIC another $500 billion or so, raising the potential cost of these two measures to nearly $2 trillion. This, at a time when bank failures are soaring and the FDIC has just $35 billion (as of Sept. 30) in its deposit insurance fund.

Then, on Nov. 23, the Treasury, Fed, and FDIC reached a joint agreement to bail out Citigroup, to the tune of some $270 billion. Under the agreement, the Treasury would use $20 billion from the TARP (Troubled Assets Relief Program) fund to buy stock in Citi, and the Treasury, Fed, and FDIC would eat up to $250 billion in potential losses on a portfolio of $306 billion in the bank's loans, securities, and derivatives hedges. This is on top of the $25 billion already given to Citigroup under TARP.

The third act of this trifecta of insanity came Nov. 25, with the announcement of $800 billion in new bailout initiatives designed to boost the asset-backed securities and mortgage markets. $600 billion of that would go toward buying mortgage-backed securities and debt from government-sponsored enterprises such as Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.

British financial warfare

Within the overall collapse of the Anglo-Dutch Liberal financial system, there is virtually open warfare, as competing factions fight for survival. Citigroup, as the flagship American bank internationally, has been targetted by the British, who wish to eliminate it as a rival. Citigroup is active in 106 nations, compared to 85 for the flagship British bank, HSBC, the latest incarnation of the notorious 19th-Century opium-financing Hongkong and Shanghai Bank, and the Brits would dearly like to sink Citi, and perhaps have HSBC or another bank in the British stable take over its international operations. The demise of Citigroup would also greatly improve the position of Britain's main U.S. bank, JP Morgan Chase (JP Morgan began as the U.S. branch of London's JS Morgan & Co.)

As a result, Citigroup has been under assault by British forces for the past year, beginning with a report from Canadian Imperial Bank of Commerce analyst Meredith Whitney, who said that Citigroup faced billions of dollars of losses and should be broken up into pieces. This report was given significant play by Rupert Murdoch's Wall Street Journal, and provided cover for an orchestrated run on Citigroup's stock. Then HSBC took $45 billion of its SIV assets onto its balance sheet, putting pressure on Citi, with its substantial SIV vulnerabilities. The furor led to the ousting of Citi CEO Chuck Prince. The most recent move was the breakup, by British-linked Wells Fargo, of Citigroup's agreement to buy the banking deposits and some assets of Wachovia; that, in turn, led to a new assault on Citigroup's stock price, which caused it to lose half its value in the week prior to the bailout.

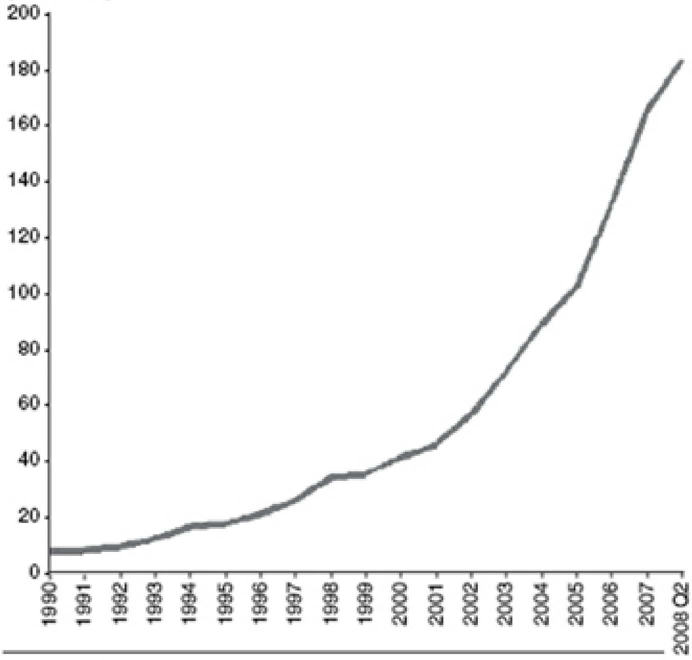
While British-linked analysts and media have been quick to criticize Citigroup, JP Morgan Chase has been generally treated as if it were sound, despite the fact that it has more than twice Citi's derivatives holdings and has more hedge fund assets than any other institution in the world. All of the major international banks are bankrupt, and the targetting of Citi is political, designed to reduce America's power in world affairs.

By forcing a bailout of Citigroup, the British are luring the U.S. deeper into the hyperinflationary trap,

FIGURE 2

Derivatives at U.S. Commercial Banks

($ Trillions)



Source: FDIC.

and further baiting that trap in their press. HSBC's Stephen King wrote in the London Independent that "the printing press has to be turned on" to offset the delationary "liquidation" now underway, while the Economist decried the supposed "cautious incrementalism" of the current bailout frenzy. It's time to put the system through bankruptcy, and defeat the British once and for all.