

NO TO THE PAULSON-BERNANKE DERIVATIVES BAILOUT **Bail Out the American People, Not Wall Street!**

An Economic Recovery Strategy for Protectionists, Dirigists, Mercantilists, and Populists

by Webster G. Tarpley

Washington, DC, September 23, 2008 – The grand theft bailout now being rammed through Congress by Treasury Secretary Paulson, Federal Reserve Chairman Bernanke, and other officials of the Bush regime with the help of accomplices Pelosi, Majority Leader Harry Reid, and other parliamentarians is a monstrosity for the ages, combining every hideous feature of monetarism, elitism, oligarchism, and sheer feckless incompetence. It is to all intents and purposes a national suicide note of the United States of America, a contract with the devil that absolutely guarantees irrevocable national decline. For any person of goodwill there can be only one impulse at the present moment, and that is to stop this bailout – to block it, to sabotage it, to bottle it up, to load it with killer amendments, and to do everything legally possible to stop this insane design from going through.

IF MCCAIN VOTES AGAINST THE BAILOUT, HE WILL WIN THE PRESIDENCY

In political terms, McCain is now running well to the left of Obama on this issue, with a much stronger populist profile. McCain has attacked the outrageous greed and corruption of Wall Street. Obama does not dare attack Wall Street, since these are his masters. Obama, sounding like Milton Friedman, only attacks Washington. Obama has said that he will support whatever Paulson demands. That is not a surprise, since Paulson represents Goldman Sachs, and Obama is a wholly owned property of Goldman Sachs, which is his single biggest source of campaign contributions. Obama is a creature of Brzezinski, Soros, and Rockefeller, and without them he has no existence; Obama is an abject Wall Street puppet, an agent of finance capital. This week, both senators will have to decide how they vote on the odious derivatives bailout. Obama will surely vote in favor of it, since this is what Wall Street demands. If McCain votes against it, he will most probably propel himself into the White House on the model of Give 'Em Hell Harry in 1948. Filthy corrupt Democrats like Schumer are already attacking McCain as the new Huey Long. Huey Long, the Louisiana populist of the 1930s, had many positive features, and we could certainly use a good dose of Huey Long in this country to counteract the elitism, oligarchism, condescension, and arrogant snobbery of foundation operatives like Obama. The bailout is already very unpopular – 72% of all voters are opposed to it – and it will become more and more hated when it becomes clear that it is also a failure. McCain's course is clear. Will he have the brains and guts to cross Obama's T on this vital issue?

PAULSON OF GOLDMAN SACHS, WOULD-BE FINANCE DICTATOR

Paulson is a ruthless and brutal eco-freak usurer who learned his trade at the Goldman Sachs stock-jobbing operation. He is now the leading member of the committee of public safety which rules in Washington, and which includes Gates, Rice, and Mullen. He now demands the astronomical sum of 700 billion dollars for the bailout of mortgage-backed derivatives, collateralized debt obligations, credit default swaps, and other poisonous derivatives. Make no mistake – this is not a bailout of homeowners who are threatened with foreclosure; it is a

bailout of the lunatic house of cards which desperate bankers have built on these mortgages using derivatives. The entire crisis is not a crisis of subprime mortgages, it is a crisis of the derivatives bubble which was launched by Wendy Gramm of the Commodities Futures Trading Commission and Greenspan of the Fed with the connivance of Robert Rubin of Goldman Sachs and Citibank, and others in the Clinton administration, some 15 years ago. These derivatives now amount to a total worldwide notional value that can be estimated between 1 quadrillion and two quadrillion US dollars. This sum is so large that it dwarfs the total value of the entire planet earth and all those who live here. Compared to the cancerous, bloated, and fictitious mass of derivatives which is at the root of this crisis, the \$700 billion demanded by politicians, large as this may seem, is nothing but a drop in the bucket. And a drop in the bailout bucket is what it will be. The mass of world derivatives between \$1 and \$2 quadrillion represents an insatiable black hole which is capable of putting an end, not just to civilization, but the human life itself. The moral choice could not be clearer: humanity will either destroy the derivatives bubble in our time, or the derivatives bubble will surely destroy humanity. Those are the stakes in the current exercise.

Paulson and Bernanke, both lawyers for the Wall Street jackals, lampreys, vultures and hyenas, argue that the public interest demands a bailout of their cronies at Goldman Sachs, Morgan Stanley, JP Morgan Chase, Citibank, Bank of America, Wachovia, and the other large money center institutions. Before the American public antes up \$700 billion just for openers in the game of genocidal poker run by the infernal croupiers Paulson and Bernanke, we would be very well advised to examine the veracity of this premise.

COMMERCIAL BANKS ARE INDISPENSABLE

It is of course true that the healthy functioning of the United States economy requires a viable and flexible system of commercial banks. No one should doubt the necessity of commercial banks. Andrew Jackson was clinically insane on this point, and he still has not a few followers around today. But it ought to be clear that without the services of a well developed commercial banking system, it is impossible to organize business activities as essential as payments, deposits, checking, payrolls, and the discounting of short-term commercial paper, bills of exchange, bills of lading, and all the credit instruments that are intimately connected with real productive activity. Without a functioning commercial banking system, the economic heart of the United States would stop beating, as it briefly did at the end of the Hoover administration in March of 1933. Without commercial banks, no wheel of a factory or railroad can turn, and no commodities can move to show up in supermarkets.

JPM, CITI, BoA ARE DERIVATIVES MONSTERS, NOT COMMERCIAL BANKS

But when we look at institutions like JP Morgan Chase, Citibank, and Bank of America, we become aware that these large money center institutions have become detached from any conceivable connection to the world of production, wages, transportation, and all other useful and productive activities. These institutions are not commercial banks any more in any meaningful sense of the term. Ten years ago, in the midst of the Asian financial crisis and the aftermath of the Russian GKO state bankruptcy collapse, the boss of JP Morgan Chase went on television to announce that his bank was specialized in the “risk business.” The risk

business meant that JP Morgan Chase, had simply given up on the traditional activity of commercial banks, which was primarily to provide loans to corporations for productive investment in plant and equipment that would also create well-paid industrial jobs. JP Morgan Chase decided long ago that that activity was nowhere near profitable enough to be continued. Instead, JP Morgan Chase devoted itself more and more to the issuance, sale, and purchase of derivatives. As early as 1992, the best definition of JP Morgan Chase was that it was no longer a commercial bank but rather a derivatives monster. In 2002, the JP Morgan Chase derivatives monster came very close to imploding, collapsing in on itself like the hopeless black hole that it still remains to the present day. According to the most recent report of the Comptroller of the Currency of the US Treasury dated September 30, 2007, JP Morgan Chase today has between \$90 trillion and \$100 trillion of derivatives. In reality this is a very low-ball estimate, and the real derivatives exposure is some multiple of this figure – perhaps \$300 or \$400 trillion, especially now that Bear Stearns, a smaller black hole of derivatives has been absorbed. But even a mere \$90 trillion is already six times the US GDP (currently estimated between \$14 and \$15 trillion).

DERIVATIVES ARE FINANCIAL AIDS

The question of the derivatives is once again the central issue of the crisis. Most people may not even know what derivatives are, although by now many have some idea that they are dangerous and toxic. French President Jacques Chirac once defined derivatives as financial aids, and he was right. A share of stock supposedly represents part ownership in a corporation. A corporate bond is a debt instrument issued by a corporation, with some claim to a part of the assets in case of bankruptcy liquidation. That means that the stocks and bonds are paper, but paper that is at only one remove from the real world of production, consumption, employment, and wages. The derivative is something radically different. A derivative represents paper based on paper, no longer a stock or bond, but a future, option, or index that is based on some stock, bond, or other form of paper. Derivatives are therefore at least one step further removed from the world of tangible physical commodity production of useful items which humanity requires in order to survive and to conduct civilization as we know it. In addition to the options, futures, and indices, we have all the possible permutations and combinations of the above, with new variations that are almost infinite. Even to catalogue these would take a book. In addition to these exchange traded derivatives, there is a much larger class of derivative which does not appear on the Chicago Board Options Exchange or analogous institutions in all the money centers of the world. The second and larger class represents the counterparty derivatives, including such things as collateralized debt obligations, mortgage backed securities, structured notes, credit default swaps, and the myriad of other derivative products. These derivatives were originally supposed to be used as a hedge against risk, but before too long they began to represent the biggest single source of risk and the entire lunatic edifice would finance. By now, to repeat this point yet again, the total world derivatives of in excess of one quadrillion dollars – that is to say, 1000 billion dollars, and may be already approaching the neighborhood of \$1.5 quadrillion or even more. One of the inherent problems of derivatives is that nobody knows this exact figure, since derivatives are not reportable in many countries and tend to escape regulation by the proper financial authorities.

DERIVATIVES ARE USELESS AND A THREAT TO CIVILIZATION

You cannot eat derivatives. You cannot live in a derivative. You cannot wear derivatives as clothing, nor can you drive a derivative work. You cannot sail in them or fly in them. They cannot be used as tools of any useful trade. They are not computers, not machine tools, not pharmaceutical equipment, not agricultural implements. Derivatives are therefore totally outside the realm of capital goods production needs, no matter how these may be defined.

FOR RECOVERY, WIPE OUT, SHRED, DELETE ALL DERIVATIVES

JP Morgan Chase, therefore, performs no useful or productive social function, and there is absolutely no reason in the world why the people of the United States should want to bail out this pernicious and socially destructive institution. It has probably been several decades since JP Morgan Chase created a single modern productive job. JP Morgan Chase's strategic commitment in favor of the derivatives bubble means essentially that we can easily dispense with most of the functions of this self-styled "bank," really a casino. Instead of being bailed out, JP Morgan Chase ought therefore to be seized by the Federal Deposit Insurance Corporation, and put through chapter 11 bankruptcy. In the course of that bankruptcy reorganization, the entire derivatives book of JP Morgan Chase must be deleted, shredded, used as a Yule log, or employed to stoke a festive bonfire of the derivatives. The world did much better when there were no derivatives, and will get along just fine without them. Derivatives were of very dubious legality in general and were illegal in some of their specific forms until the mid-1990s.

INSTRUMENTS MEANS DERIVATIVES

According to Paulson's pact with the devil published in *The New York Times* on September 20, 2008, the Secretary of the Treasury is supposed to be empowered by Congress to spend \$700 billion on mortgage related securities, obligations, and instruments. That last word *instruments* is the favorite euphemism of television commentators and journalists who want to propose a derivatives bailout without using this word, which has now become to some degree unmentionable and taboo, presumably because of its highly negative connotations left over from the crises of more than a decade ago. Accordingly, one very good killer amendment that ought to be added to this pact with the devil should state that not one penny of taxpayer money should ever be used to finance the purchase of derivatives, no matter how they may be euphemistically referred to.

WHY BUY MORTGAGE BACKED SECURITIES THAT HAVE NO PRICE BID?

Paulson wants to buy up derivatives. But at what price? Derivatives have no intrinsic value. Like the rasbucknik in the old *Li'l Abner* comic strip, derivatives have negative value, since somebody has to be paid to cart them away. Counterparty derivatives currently have no price, since there is no market where they are trading, and nobody would want to buy them if there were such a market. Collateralized debt obligations were selling at 5 cents on the dollar a few weeks ago, but that was well before the current crisis broke in its full fury. So how will Paulson know how much to pay for the derivatives he wants to purchase? Will he use the

discredited Black-Sholes model, which led to the bankruptcy of the Long Term Capital Management hedge fund ten years ago? Given all this, the only price which can be assigned to the mass of derivatives is not their notional value, but rather a big fat ZERO. Anything else is stealing from the government.

“INVESTMENT BANKS” DRIVE UP THE PUMP PRICE OF GASOLINE

Let us now leave behind the category of the commercial banks and move on to institutions like Goldman Sachs and Morgan Stanley, the stock jobbing operations or counting houses that like to call themselves investment banks these days, even though they do not have the status of a commercial bank and are not members of the Federal Reserve. Why should any public money at all be used to prolong the noxious lives of these sociopathic and pernicious institutions? A short examination of what these so-called investment banks do will reveal that there is no public interest in keeping these creatures alive, and that, once again, touch better off without them.

Investment banks used to assist corporations and floating issues of stocks or bonds on the financial markets. Investment banks were supposed to function as the advisers of industrial corporations and other corporations as they sought to raise capital needed for new plant, equipment, and jobs. But today, these functions have virtually disappeared. The investment banks do a certain amount of work in initial public offerings for IPOs of new securities, but these are almost always of a financially speculative nature. The main thing is that investment banks now place bets on certain classes of assets in the hope of turning a purely speculative profit for themselves. Goldman Sachs and Morgan Stanley maintain trading desks and engage in purely speculative trading of assets which they themselves own, and most of the time these assets represent derivatives of one kind or another. In recent times, the most important asset class which Goldman Sachs and Morgan Stanley have been trading is probably future indices on commodities, especially oil. Goldman Sachs and Morgan Stanley between them have in the past year by various estimates accounted for about half of the speculative activity in the commodities markets of London, New York, and other money centers which brought about the doubling of the per barrel price of oil between July 2007 and July 2008, increasing the cost of gasoline to almost five dollars per gallon.

GOLDMAN SACHS, MORGAN STANLEY CREATE I.C.E. TO FLAY AMERICANS

In a very real sense, American motorists filling their gas tanks at the pump at exorbitant prices have been involuntarily subsidizing the speculative derivatives activity of Goldman Sachs and Morgan Stanley. How bitterly ironic that the same American motorists should now be taxed in order to permit their tormentors to live on and to continue to mercilessly loot them. Goldman Sachs and Morgan Stanley found that even the very weak regulatory regime maintained here in the United States under the auspices of the Commodity Futures Trading Commission was too onerous for them because it slightly constrained their rapacious quest for speculative profits at the expense of the American people. These two investment banks therefore created a new speculative commodity exchange, the ICE or Intercontinental Exchange located in London, with a regulatory regime virtually nonexistent. The ICE or

Intercontinental Exchange in London is where about half of the world futures contracts in oil have been trading in recent months.

Goldman Sachs and Morgan Stanley, like their now-defunct brethren Bear Stearns, Lehman Brothers, and Merrill Lynch, have also made many speculative investments in the area of mortgage backed securities based on predatory subprime mortgages. The adjustable rate mortgages that underlie these derivatives should have been declared illegal long ago. But now let us imagine what will happen if a hapless victim of these predatory lending practices is forced into foreclosure in the current world economic great depression. Goldman Sachs will send the bailiff to your door to throw you, your family, and your belongings out on the street, even though you have been taxed to permit Goldman Sachs to continue its sociopathic existence. You will in effect be robbed out of one pocket even as you are being pushed out the door and made homeless by the same institution which has been the beneficiary of your forced charity. Surely any politician daring to come forward to suggest the public bailout of Goldman Sachs so that it can continue to enforce foreclosures against the American citizens who are paying the bill for the financial excesses of this bandit institution ought to be tarred and feathered and run out of town on a rail. Yet this is exactly what Pelosi, Reid, Dodd, and Frank are proposing to force through the US Congress in the coming week. This represents a new low in public morality.

With Fannie Mae and Freddie Mac, the situation is slightly different, but the same criteria ought to apply. Fanny and Freddie worked very well during the three decades after the formation of Fannie Mae in 1938 as an agency of the federal government – a hillbilly cousin of the US Treasury, as it used to be called. Things began to go wrong in 1968 when Fannie Mae was privatized, under the pernicious influence of the doctrines of the monetarist Milton Friedman of the infamous Chicago school of pseudo-economics and obscurantism. Fanny and Freddie have now been placed under the control of conservators, but they ought to be nationalized as part of a permanent state sector of the US economy, and operated as the public utility that they were intended to be. The salaries of their officials ought to be determined by the government-wide GSA schedule. Fannie and Freddie have guaranteed mortgages, and ought to continue to do so. But they have no obligation to guarantee mortgage backed securities or any other form of newfangled derivatives which were never mentioned in their charter. Accordingly, Fannie and Freddie ought to strip away the mortgage backed securities that have been used to package or bundle the mortgages that they now hold. The mortgages represent a valuable asset for the future, under conditions of economic recovery which we intend to organize. But that extra layer of derivatives paper represents a useless additional tax on the public treasury, which the US government has no obligation to maintain. In short, it is time to separate the socially useful core of actual mortgages representing residential and commercial properties from the harmful and speculative overlay of the mortgage-backed security. By this kind of financial engineering, speculators can receive condign punishment, even as the public treasury is relieved of an extra layer of useless payment which would only reward speculative crimes.

If anyone should inquire as to the ultimate philosophical causes of the current George Bush world economic depression, the answer is simple: this depression is a direct result of the influence of Milton Friedman and the Chicago school, who are themselves to kind of come

down American version of the Viennese school of Friedrich von Hayek. Ludwig von Mises, and other charlatans masquerading as economists. The common denominator of the Chicago school is the Vienna school which is represented by the right-wing anarchist thesis that government is always bad and the private sector, especially speculators, are always good. This absurd thesis is now being consigned to the dustbin of history. Friedman and von Hayek, if they were alive today, would doubtless demand the full fury of the free market be unleashed against the American people. This would lead, not to a recovery, but merely to death on a large scale. The implications of the Chicago school and the Vienna school under current circumstances are nothing short of genocidal, and even the financiers are hastily dumping the discredited doctrines of Friedman and von Hayek as they rush to get their hands into the public till through bigger and better bailouts in an endless series. There is nothing anywhere in the world left today that might resemble a free market, only an endless list of cartels, trusts, monopolies, oligopolies, duopolies, and other conspiracies in restraint of trade. In fact, there has been nothing even vaguely resembling a free market in most of the world in the past several centuries. What is collapsing today in September 2008 is the delusion that such a thing as a free market might exist in the modern world.

The same negative judgment applies to the lunatic doctrines of Joseph Schumpeter, who preached the madness of creative destruction as a way out of the world economic depression of the 1930s. Schumpeter's doctrines today are nothing less than a public menace, and persons who demand a deflationary crash of the world economy by preaching the Andrew Mellon formula of liquidating labor, liquidating stocks, liquidating bonds, liquidating real estate, etc., are to be put in a padded cell. This is even worse than Herbert Hoover. It was tried in 1932-33, and it turned out to be a bottomless pit already then, so it does not need to be tried again.

BACK TO THE NEW DEAL: RESTORE THE GLASS-STEAGALL FIREWALL

Scribblers like Friedman and von Hayek were paid by finance oligarchs to wage a relentless war against that heritage of the Franklin D. Roosevelt New Deal, the set of policies which allowed humanity to survive the Great Depression of the 1930s. The current crisis would not have been possible in the present form if the institutional safeguards enacted during the New Deal had been left in place, as they should have been. These safeguards represent permanent features of civilization, and they need to be restored. The best example is the repeal of the Glass-Steagall Act under the Clinton administration in 1999. The Glass-Steagall Act was a classic piece of New Deal legislation which established that being a commercial bank and being a stockbroker are mutually exclusive activities that could not be legally combined in the same company. Commercial banking was one thing, and stock brokerage was something completely separate. Naturally, the greedy financiers and their spokesmen clamored for the repeal of Glass-Steagall, and they finally got their wish. Now less than 10 years later all of the Wall Street banks, seemingly without notable exceptions, are bankrupt and insolvent institutions that cannot not survive without a massive infusion of taxpayer money. We need to restore Glass-Steagall, which will mean among other things that Goldman Sachs and Morgan Stanley will not be eligible to become bank holding companies after all. If you don't like your tax bill next year, you should thank Newt Gingrich and others who made it their business to destroy and roll back the achievements of the New Deal in the name of the

despicable ideology of monetarism as preached by Friedman and von Hayek. Newt, by the way, is now calling for an immediate deflationary crash to find out what the real prices of housing might be. This is like doing experiments on your own flesh, and Newt should go to the funny farm.

BACK TO THE NEW DEAL: RESTORE THE UPTICK RULE

Another example is the uptick rule. This New Deal measure meant that it was illegal to sell a stock short if it were continuously in decline. The speculator had to wait until there was an uptick, meaning a trade in which the stock in question increased in price; only then could a short sale be carried out. Another piece of bitter irony inherent in the present crisis is that this uptick rule was abolished by the feckless and incompetent Chairman Cox of the Securities and Exchange Commission at the beginning of last summer, just in time for the explosion of the world credit crisis which has led to the current world economic depression. Incredibly enough, Chairman Cox of the SEC has been unable to pull himself together long enough to permanently re-impose the uptick rule. Instead, he has drawn up a list of 799 financial institutions and banks whose stock will now be illegal to sell short for at least 10 days, although one suspects that this prohibition will be prolonged indefinitely. This crackpot expedient reveals the true nature of the current monetarist regime. Shorting and destroying General Motors, which actually produces something useful, is fine, but no shorting of JP Morgan Chase, which is a public menace that produces nothing but toxic paper. The long-term roots of the current crisis go back to August 15, 1971, when Nixon, Kissinger, Arthur Burns and George Shultz wantonly destroyed the Bretton Woods system of fixed currency parities, ushering in the new world of financial risk which is now collapsing around us.

NATIONALIZE THE FEDERAL RESERVE AS A BUREAU OF THE TREASURY

The present crisis ought to provide the death warrant for the failed Federal Reserve System. When the Fed was created back under Woodrow Wilson, its Rockefeller and Morgan sponsors promised that the Fed would protect us against all future financial panics. The Fed failed once in 1929-1933, and now it is failing again for a second time. The Fed is worthless as a firewall against depression. We must therefore seize the Fed, audit it, nationalize it, and operate it in the future as a bureau of the US Treasury. From now on, we must go back to the Constitution, meaning that the size of the money supply and short-term interest rates will have to be determined by public laws of the United States, passed by the House and the Senate and signed by the president. Using this method, we can mandate new initial credit issues of \$1 to \$2 trillion to be used exclusively as low interest (.5% to 1%) and long-term (30 to 40 year maturities) credit for productive purposes only – manufacturing, farming, mining, commerce, energy production, infrastructure, and the other things we need. We should stop having the Fed lend money to Citibank at 2% and then having the Treasury borrow that same money back for 4% to 5% in the form of Treasury paper. Nationalize the Fed, and let the Treasury finance itself, cutting out the parasitical middlemen like JP Morgan Chase, Goldman, Citibank, and the rest. The taxpayers will be the big winners.

HOOVER'S RECONSTRUCTION FINANCE CORPORATION WAS A FAILURE

The Paulson-Bernanke \$700 billion is roughly comparable (factoring in about 2000% inflation from 1932 to 2008) to the Herbert Hoover Reconstruction Finance Corporation, which started with \$2 billion real 1932 dollars, but failed because it tried to prop up insolvent banks and shore up collapsing financial values. Under FDR, the RFC was put under Jesse Jones, who used it to create real plant and equipment with great success. Under Jones, the RFC contributed decisively to US economic recovery by building up the Metals Reserve Company, the Rubber Reserve Company, the Defense Plant Corporation, the Defense Supplies Corporation, the War Damage Corporation, the U.S. Commercial Company, the Rubber Development Corporation, and the Petroleum Reserve Corporation. In other words, the RFC under Jones rebuilt the industrial infrastructure which we have been using down to the present day. Most of these investments represented added physical commodity production. Today, this could be repeated to produce infrastructure and energy plants for civilian use.

CLEARING THE DECKS FOR WORLD ECONOMIC RECOVERY

It is time to forget about paper and the price of paper, and to concentrate on production – securing the tangible physical commodities and hard commodity production which are necessary for human life and civilization. It is impossible to prop up financial values in a panic, and it is foolish to try. To secure a decent future, we must now enact the following measures. Any of these points, all of which seek to defend the general welfare and the public interest, can and should be used as killer amendments to be attached to the current bailout monstrosity as a means of bringing it down.

1. Stop all foreclosures on homes, farms, businesses, factories, mines, transport systems, for a period of at least five years or for the duration of the present world economic depression, whichever takes longer. If you throw a family out of their home or shut down a family farm, taxicab company, trucking firm, ferry, airline, railroad, or factory of any kind because of debt, you will be on your way to Leavenworth. All politicians now say that we have to keep families in their homes. Excellent! A uniform federal law with real teeth is the way to do it.
2. Seize bankrupt banks and financial institutions. Put them through Chapter XI bankruptcy, and cancel the hopelessly unpayable parts of their debts, starting with their derivatives book.
3. Wipe out all derivatives, whether exchange traded or counterparty, without compensation. They have always been illegal. They are now a threat to all of our lives. Not one penny of public money must go to buy derivatives.
4. Securities transfer tax or Tobin tax on all financial transactions, including stocks, bonds, foreign exchange, etc. This is a sales tax on finance oligarchs who need to start paying their fair share. This will take the life out of the booze for many speculators.
5. Stop oil, food and commodity speculation with comprehensive re-regulation including position limits, 50% to 100% margin requirements depending on market conditions, and by distinguishing between legitimate hedgers and predatory speculators.

6. No tax increases on households. Surtax for foundations like the Ford, Rockefeller, Carnegie, Annenberg, and Gates Foundations, who use their funds not for charity but for subversion and divide and conquer social engineering to divide and weaken the American people in defense of the financier interest.
7. Restore business confidence and credit with new credit issue through the nationalized Federal Reserve, operating under the legal auspices of the US Treasury. Use credit as a public utility. Provide cheap, long-term credit for productive purposes only, not parasitical speculation or financial services.
8. Institute an absolute guarantee for Social Security, Medicare, Medicaid, Head Start, WIC, food stamps, unemployment insurance, and the other remaining elements of the social safety net. No “entitlement reform” under any circumstances. Austerity for bankers, not people. Use the proceeds from the Securities Transfer Tax to replenish the Social Security Trust Fund and preserve the other vital programs through the end of the twenty-first century.

Using New Deal methods, it is possible to stop a depression cold in a single day. We did it before, and we can do it again. Only 28% of the American people now support the monstrous derivatives bailout, with 37% opposed and 35% unsure, according to Rasmussen on September 22. This is an issue powerful enough to crystallize the current party re-alignment in the same way that slavery in the territories did in 1860, or the last depression did in 1932. Within a month, the current empty husks of the gutted Democratic and Republican Parties could collapse, and be replaced by the pro-Wall Street Bailout Party led by Obama and his phalanx of rich elitists and Malthusian fanatics from both parties, and the pro-middle class and pro-worker Anti-Bailout Party with support from right-wing Republicans, libertarians, and working class Democrats. Who will have the brains and guts need to assert leadership over the Anti-Bailout Party? Will it be McCain? Or Hillary Clinton? Or someone else? We will soon find out.

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