Save-the-banks swindles destroying the U.S. economy

by Marcia Merry

The year 1991 opened with a bang in Rhode Island—the declaration of a Great Depression-style bank emergency by Gov. Bruce Sundlun. Due to the failure of the Rhode Island Share and Deposit Indemnity Corp., the state's private deposit insurance agency, Governor Sundlun was forced to close 45 credit unions and banks on New Year's Day, freezing the accounts of 300,000 depositors and leaving many without the ability to pay their bills or even buy food. The banking panic quickly spread to Massachusetts, where runs sank the corpse-like Bank of New England, one of the region's largest banks.

In addition to the Rhode Island failures, the Federal Deposit Insurance Corp. took over 124 federally insured banks during 1991. The assets of the FDIC-seized banks totaled $64.3 billion—nearly four times the $16.2 billion of assets of failed banks in 1990. Three-quarters of those failed assets were in New England and New York, now in the grip of a spreading, Texas-style blowout.

As of Dec. 16, the Resolution Trust Corp. had taken over 232 savings and loans, with $87.4 billion in assets. All told, in 1991, the government seized banks and thrifts with a total of $151.7 billion in assets.

This shutdown process is a continuation of the deepest depression of the twentieth century, which has reduced the world's once-strongest economy to rubble. A chain-reaction financial collapse is under way, with increasingly large sections of the economy disappearing on an almost daily basis. The response of the Bush administration, and its controllers on Wall Street, is to try to save the dying financial system by applying more of the same suicidal policies which brought about the collapse in the first place.

The Rhode Island crisis dramatizes the New Year's challenge before citizens and lawmakers alike: To just make demands to receive your savings, your pension, your jobs, and your family's future, is futile. It is time for individuals to organize for a declaration of national emergency, nationalize the Federal Reserve, and institute banking policies that will aid emergency measures to rebuild the U.S.

Stuart Lewis

Treasury Secretary Nicholas Brady and U.S. Treasurer Katherine Ortega display their ludicrous notion of value. For Brady, the banks are "the engines of growth," and they have to be bailed out even if it means shutting down the physical economy to do it.

economy. Anything else just adds to the catastrophe.

Even the government's own statistics, issued by the FDIC based upon phony data supplied by the banks, demonstrate the chicanery and futility of the government's save-the-banks schemes to date.

The following feature report of graphs and analysis was based primarily on the FDIC's quarterly reports on the U.S. banking sector, in particular from the latest figures available in the FDIC 1991 third-quarter report, released Dec. 10.

This exclusive study by *EIR* bank columnist John Hoefle, shows that the whole U.S. banking system is bankrupt. But, the government will not admit what its own reports prove. The reason for this is purely political. George Bush and his cohorts are declaring they are implementing "solutions," while meantime they implement secret swindles, regulations changes, and other practices just to perpetuate looting. In particular, Citibank—the nation's largest and most bankrupt bank—has been the recipient of repeated interventions by the Federal Reserve to allow another few weeks of an "aura of solvency." The Fed's secret takeover of Citicorp is the model for the future of U.S. banking.

What the government banking statistics show is that huge resources are going down the rat-hole of "bailouts" to insolvent banks. The rationalization given for this is that bank lending will be the driver of the economic recovery. In December 1991, a litany of testimony to Congress and remarks to the public through the network television news interview programs, was given by Treasury Secretary Nicholas Brady, Federal Reserve Board chairman Alan Greenspan, former FDIC head William Seidman, and other luminaries, that to save the economy, you must first save the banks.

"America's banks are the engines for growth in this country," Secretary Brady told a meeting of bank examiners in December, advising them to ignore bad loans in order to "foster the injection of fuel that will lead to solid economic growth."

The logic of these swindlers is that, "If you want to save the dog, you have to first save the fleas."

As long as this lying and swindling prevails, there can be no recovery. Look at where the resources are going. During 1991, the government voted $225 billion to bail out the banks and savings and loans, raising the total appropriated since August 1989 to $340 billion. By contrast, after weeks of bickering, only $1 billion was made available in disaster aid to farmers hit by floods and drought; only $1.5 billion was made available for food aid to the former Soviet Union; and the story is similar for the unemployed, the homeless, and those needing medical care. The government is strangling the real economy—and the population—while giving a blank check to the banks in the name of "saving the economy." Do you have any doubt who is running the United States?

Finally, what the following study shows, is that beneath all the government's lies, greed, and coverup, the U.S. banking system is hopelessly bankrupt. The government's save-the-parasites program is too late. The banks are too broke to save, and the attempt to save them will only destroy what's left of the economy.