

Editorial

'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, according to press leaks Sept. 5. 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 required, 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.