

“They Just Don’t Get It”—Political Leaders and Pundits Are Clueless About Bailout Rejection

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Stephen Pearlstein is the Washington Post’s Pulitzer Prize-winning business columnist. In print and as a TV talking head—like on Chris Matthews’ Hardball late last week—Pearlstein is one of the foremost media cheerleaders for the \$700 billion Wall Street bailout bill.

Or should we call it the Bush-Paulson-McCain-Obama-Pelosi-Reid-Dodd-Frank Wall Street bailout bill?

Nancy Pelosi and the rest of the leadership of the Democratic majority in Congress have become the indispensable partners in Bush administration travesties. First it was funding for the Iraq War. Now it’s lavishing rewards on the Wall Street “Masters of the Universe,” who, coincidentally, have been the financial mainstay of the Democratic Party since the Clinton years.

The TV networks are filled this morning with commentators who are sneering about how a majority of congresspeople voted to save their political butts in the face of the upcoming congressional elections. Political expediency, say the financier-owned media, trumped principle, when the House defeated the bailout bill yesterday by a vote in which 67 percent of the Republicans and 60 percent of the Democrats voted “No.”

The “principle” in this case is that of the loaded gun which Wall Street is holding to Main Street’s head. “Bail us out or no more loans,” Wall Street says in this alleyway mugging. And no more loans seemingly would be a disaster, because for the last quarter century it’s primarily been borrowed money Main Street has been living on.

But maybe Main Street is willing to call Wall Street’s bluff—on principle.

Here’s where Pearlstein enters the picture. His column in the Post this morning is as condescending as it can be. The title? “They Just Don’t Get It.”

Pearlstein writes: “Americans fail to understand that they are facing the real prospect of a decade of little or no economic growth because of the bursting of a credit bubble that they helped create and that now threatens to bring down the global financial system.”

Here’s what Pearlstein doesn’t get: The only reason there has been economic growth in the last seven years has been due to the housing bubble the Bush administration and Federal Reserve chairman Alan Greenspan created to get us out of the crash of the dot.com bubble in 2000-2001.

The reason these bubbles have been needed is that the United States over the last

generation gave away millions of its good manufacturing jobs to foreign nations in order to further the greed of global finance capitalism. So the only way people have been able to live has been through credit bubbles that have the added disadvantage of inflating the prices of assets, including their homes. This is another benefit of the housing bubble: For a home that once cost \$120,000, a family is paying a \$300,000 mortgage. If they want to sell, they would be lucky to get \$200,000, less brokers' and bankers' fees.

Pearlstein again: "Politicians worry less about preventing a financial meltdown than about ideology, partisan posturing and teaching people a lesson. Financiers have yet to own up publicly to their own greed, arrogance and incompetence. And leaders of foreign governments still think that this is an American problem and that they have no need to mount similar rescue efforts in their own countries."

To call what a majority of the House of Representatives did yesterday in voting down the bailout an action based on "ideology, partisan posturing and teaching people a lesson" is a slur on American democracy. It shows what we already know: the Washington Post is really a house organ of the financial elite. And in dissing what is really part of a widespread populist uprising against financial abuses which have produced a condition approaching debt slavery for a majority of the U.S. population, Pearlstein shows a lack of respect that is typical, though appalling.

His prescription? "And they will come around, reluctantly, to the understanding that the only way to get out of these situations is to have governments all around the world borrow gobs of money and effectively nationalize large swaths of the financial system so it can be restructured, recapitalized, reformed and returned to private ownership once the crisis has passed and the economy has gotten back on its feet."

In other words, Pearlstein is really a Keynesian. Governments need to "borrow gobs of money and effectively nationalize large swaths of the financial system." This means trillions added to the national debt.

But in the point about nationalization there is a glimmer of truth, though not the way Pearlstein means it. For he is wrong in thinking that this particular bailout bill which rewards years of greed, criminality, and government collusion in private banking swindles is the way to proceed. Neither is it right for the government to administer bad bankers' debts while already the big banks that leveraged the terrible investment decisions—Citibank, the Bank of America, and J.P. Morgan Chase—are getting off scot-free and adding to their empires by gobbling up the small fry.

What then should be done?

Here I would like to turn to a proposal by a man I have met and respect. His name is Darrell Castle, and he is the 2008 candidate for vice-president of the Constitution Party. Castle has spent the last year traveling around the country meeting people on Main Street and listening to what they have to say.

This is what Castle proposes in the Constitution Party's latest newsletter:

"The Federal Reserve Banks should be seized by Congress under Article 1 Section 8 of the Constitution. The FED banks could survive as clearinghouse banks, but the Federal Reserve that has robbed the American people for 100

years would cease to exist. The debt owed by the American people to the FED banks would be discharged in bankruptcy. Congress would take monetary policy from the FED and would simply stand in place of the FED through a monetary board. The FED credit computers would be transferred to Congress who would issue new credit (money), because under our present system 97% of all money originates as credit. This new credit would keep the system going and prevent collapse. It could all be done without interest and without debt. The backs of the international banking cartel would be broken forever, and the American people through their elected representatives would control monetary policy; i.e. money in circulation, interest rates, and credit availability.”

Pearlstein, Bush, Paulson, Pelosi, et.al., along with Obama and McCain, should also read the U.S. Constitution. Then they would see that the problem stems from the fact that in 1913 Congress privatized our money supply by turning it over to the private banks that own the Federal Reserve System. This is also why we have lived under the mass delusion that a healthy financial sector leads to a healthy producing economy.

Actually it's the other way around. The financial sector should support the producing economy, not bleed it dry through interest, fees, commissions, and the destruction that arises from financial profit-seeking.

There is also the fact that while the producing economy has been hammered by job outsourcing and bled white by financial parasitism, it is still a powerful machine that can produce the goods and services people need. We are a strong, capable nation. And we are blessed with the resources we require for a decent standard of living, though not necessarily at a rate of consumption that forever outpaces the rest of the world. But what is wrong with that? The underlying strength of the producing economy was on display this morning, when the Dow-Jones defied the doomsayers by coming back strongly the day after the bailout was defeated.

We now need to do what Darrell Castle of the Constitution Party recommends: Use the power of the money supply to rebuild the producing economy that we have given away and rebuild it from the bottom up: from Main Street.

Unfortunately the fat cats and their political and media apologists “just don't get it.” But the American people and the members of congress who voted the right way yesterday do.

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