

Who will Rescue Us as Our Economy Stays in Free Fall?

By [Danny Schechter](#)

Global Research, March 01, 2009

1 March 2009

Region: [USA](#)

Theme: [Global Economy](#)

“In 1930, right before the depression hit John Maynard Keynes wrote, “The world has been slow to realize that we are living this year in the shadow of one of the greatest economic catastrophes of modern history.” Economist James Galbraith, Congressional Testimony (Monthly Review)

No One Seems To Know Or Be Willing To Say How Bad Things Are

Pilot Chesley ‘Sully’ Sullenberger has been given his own Facebook page which may be the equivalent these days to being inducted in some heroes hall of fame. He became the rescuer who knew where he was, saw where he was going, and touched his huge plane down into what he calculated correctly would be a safe landing on the Hudson River.

Will President Obama be able to rescue us from the ongoing economic collapse that has put the country and his plans at risk? Is he flying blind or does he know how to achieve a safe landing even in the absence of flight controllers and people who know what is going on. Is he going far enough?

Does anyone even know how bad the economy is, or how much worse it will get? Can anyone see the “bottom” the way Sully saw the water rushing up at him in the cockpit of his distressed aircraft? He handled his crash; can we handle ours?

On Friday, after a crisis that’s been going in full panic mode since August 2007, the people who are supposedly in the know don’t “seem” to be. This AP report from late last week made that clear:

“WASHINGTON - The economy’s downhill slide at the end of last year was likely much steeper than the government initially thought and it is probably doing just as poorly now - if not worse - as a relentless slew of negative forces feed on each other, pushing the country deeper into recession.”

Reread the sentence and you can see, as a famous Hollywood Screen writer wrote years ago “nobody knows nothing.” The operative phrases are “likely much steeper than the government initially thought” and “it is probably doing just as poorly now.” What? Duh?

The self-styled experts had what they call a “revision” of the numbers. At first they thought the economy only dropped or “contracted” by 3% but when they looked again, it had more than doubled to 6.2%. Oops! These new fourth-quarter figures showed the economy shrinking at the fastest rate in a quarter century, were far worse than expected.

There is a reason economics is called “the dismal science” although the science part of all this is very shaky and may have to be separated from the “dismal” part. There were economists like Nouriel Roubini forecasting these trends but he was marginalized by agencies that thought they were so much smarter than the man they called “Dr. Doom.”

Someone needs to take a deep breath and figure out what all of economic stimulus efforts are stimulating, General Motors and many banks have received and lost billions. Insurance companies are lining up for more moolah. Fannie Mae needs another \$15 billion.

It seems endless, and we are not even touching the surface of the real economic time bombs on the horizon from credit default swaps, derivatives and credit cards. Nomi Prins who worked for as an analyst for Bear Stearns and a managing partner for Goldman Sachs says the official math is totally fuzzy:

“The media, like Washington hasn’t a clue as to the way in which the system leveraged itself. It talks about the home loans. It talks about the homeowners. It talks about asset securities and packaging and slicing and dicing as if it really understands what happened with these securities. And it really doesn’t talk about the 10, 20, 30 percent or what ever amount of leverage or borrowing that was done on the back of them.

“And the fact that even the treasury, the Oval Office, no one in Congress has actually been able to present an accurate description or evaluation of the loss of the value these securities used to be, the borrowing that was done on top of them and the way this nothing set of loans – remember there was only 1 ½ trillion dollars worth of sub loans – subprime loans created – became \$14 trillion worth of asset backs and 140 minimum trillion dollars worth of just stuff.

“And there is no way to quantify that because they’re not asking questions of the banks that created this stuff. They’re not saying ‘you know what? Give us an accurate picture, every single one of you.’ Which is most of the banks in the country. Certainly ones participated more than others and throughout the world. ‘Tell us what you own. Tell us what you borrow. Tell us what your loss is. Give us exact numbers. Don’t tell us you don’t know how to evaluate it.’

Political Scientist Ben Barber amplifies:

“There is somewhere between 50 and \$600 trillion, nobody knows how much, of that paper around. But that’s because nobody even knows what the paper is. Here’s what happens. There are three defaults on mortgages. The bank that holds those sells those at 10 cents on the dollar to a second bank. That bank puts those together with three other defaults and three other defaults and makes a second package and sells it to a third Bank. The third Bank sells 6 of these things from 10 different — from five different banks to a hedge fund. The hedge fund repackages them, bundles them and sells them to some investor who has no idea what he has. And now we have a world of bad debt and no one can even tell you what it’s — you know, what it’s worth.”

How did this happen? Was anyone paying attention? Mo Sacirbey, a former investment banker and Vice President at Standard and Poors, says behind all of this is that the financial system itself changed with more and more people making money from money, not investing in companies that make things. He says the system became predatory and markets and

prices were manipulated:

“I think we had a transition from what truly was a free-market system to something now that is out of control and probably what I would define as a predatory system where we are not so much dealing anymore about the notion of fair prices, and the notion of markets that — that work transparently an open late but in fact frequently markets that are manipulated for the end of maybe a few out there — a few investors, mega-investors. It’s even — even that’s very difficult to tell. We still don’t know who in fact is making money while so many are losing money on Wall Street right now.”

Years ago, right after the American civil war, there was a bearded prophet in Europe, who studied the system and demystified it. While his predictions were off, his analysis still seems on target. Anyone remember Karl “Das Kapital” Marx?

“Owners of capital will stimulate the working class to buy more and more of expensive goods, houses and technology, pushing them to take more and more expensive credits, until their debt becomes unbearable. The unpaid debt will lead to bankruptcy of banks, which will have to be nationalized, and the State will have to take the road which will eventually lead to communism.”

Today long trips are taken not by road but by air, so we may need Captain Sully to fly us away on some magic carpet. The right is mobilizing against the spectre of a phony socialism while the government is pumping money into the economy to save capitalism. They are back to red-baiting falsely claiming the USA is becoming the next USSR. We don’t need more neo-cons or for that matter, neo-coms.

Wake up: government funding and private control do not socialism make. A broader mobilization is needed to stop the “Big C’s” system meltdown.

News Dissector Danny Schechter wrote PLUNDER: Investigating Our Economic Calamity (Cosimo Books) and blogs for Mediachannel.org. Comments to dissector@mediachannel.org

The original source of this article is Global Research
Copyright © [Danny Schechter](#), Global Research, 2009

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Danny Schechter](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca