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Gonzalez warns of collapse; media cover their ears

by Chris White

On March 28, the Capitol Hill press corps was treated to a relatively rare briefing by Henry Gonzalez (D-Tex.) on the upcoming agenda of the House Banking Committee which he chairs. Actually, it was only the fourth time in all the years Gonzalez has been responsible for the work of the committee, that he has done any such thing.

But did you read about what he had to say in the morning edition of your newspaper? Did you catch the sound-bytes on that evening's television and radio news shows?

The answer, most probably, to both questions, is "no." And, it wasn't your fault. The substance of what the chairman put forward that day was simply not covered; it was not considered "newsworthy."

Some networks, such as the Public Broadcasting System's nightly business report, and perhaps other subscribers of the Reuters wire service, did cover, out of context, a few remarks by Gonzalez about raising the possibility of imposing a 0.1% tax on transactions in the financial instruments known as derivatives.

To summarize what the press blacked out concerning the House Banking Committee's upcoming agenda: Hearings are scheduled to be held on April 13-14, right after Congress returns from its Easter recess, on the relationship between the so-called "hedge funds," bank lending exposure to the derivatives transactions of the hedge funds, and the potential exposure of the U.S. taxpayer to what Gonzalez called "an electronic Ponzi scheme that eventually is going to cause us some damages, because it's like an inverted pyramid."

Gonzalez's agenda was presented as necessary because the multitrillion-dollar financial derivatives bubble has become a worldwide threat to depository institutions. This threat, taken together with the piling up of U.S. government and corporate indebtedness, poses a threat to the very existence and sovereignty of the United States. In Gonzalez's view, the time is fast approaching when the United States will be compelled, for the first time in its history, to commit itself to repaying its debts in foreign currencies. And when that happens, as he told the press, "Our economic and financial freedom and leadership is gone. . . . What is the meaning of that? Well, this is where I lose those who happen to be listening. It means everything."

"So, this is the reason I worry," he added. "Now, I hope I'm wrong. But these are things I would like to dwell on."

Evidently, the congressman was right: He did lose those who were listening—if not all those present directly, then their news editors who are ultimately the ones who decide what ought to be covered or not.

Of all the questions which the press corps fired at Gonzalez, just two touched, albeit tangentially, on what the chairman said he wanted "to dwell on." As for the rest, you could probably guess that the press was mostly sniffing for latest scent of possible blood on the Whitewater scandal trail.

The whole performance was a useful object lesson. Factually accurate coverage would have been one thing; but these journalists, the ones assigned to the "banking committee beat," are supposed to be specialists, representing not only the regular selection of wire services and dailies, but the trade and association press. Apart from accurate coverage, what about the question of truth?

Was Gonzalez right to have shared these concerns and worries with the press that Monday? From his position, he's talking about potential developing crises as threats to the

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nation's very existence; but the press hounds want to know about George Stephanopoulos and appointments to the Resolution Trust Corporation, and the RTC's investigation into Madison Guaranty Savings & Loan.

Moving in the right direction

As it happens, Gonzalez is pointing in the right direction. It would have been better, however, had he presented it the way it was done by Lyndon LaRouche, who first proposed the 0.1% tax on derivatives March 9, 1993, and has done it repeatedly since then. These financial instruments, such as derivatives, are a means of asset stripping—the same kind of phenomenon as the leveraged buyouts and junk bond financing of the 1980s, but on a vastly expanded scale. They are intended to transform developed or potential economic capabilities into money-equivalent so-called earnings. The assets are economic, not financial: employment and living standards, education and health, capital investment and infrastructure—all looted out for the account of some usurious speculator such as George Soros. The seven- to eightfold growth of the derivatives bubble since 1987 depends on such asset-stripping looting of the physical economy's potentially wealth-producing capabilities. Since the bubble grows at the expense of such productive capacity, the more successfully the bubble grows, the fewer assets are available to loot. The parasite grows cancerously by consuming its host, the world economy and population.

LaRouche's derivatives tax was designed to introduce some order into this process, and to bring it under control, so that work might begin globally on rebuilding the economic capabilities that have been shattered by the monstrous usury of recent years.

The power to halt the crisis

There was an additional aspect to the congressman's remarks that the press might also have chosen to pick up on. Is he right to say, for example, "we in Congress are not in a position, any more than we are in foreign affairs matters, or in tariff setting matters, to control this tremendous exposure of our banking system," or "I don't know that there's anything we can do in any one sovereign country to control this"? "It's going to take worldwide—I mean, what worldwide agency do you have other than the Bank for International Settlements, and they're talking about maybe, if they increase the, if they had another convergence of reserves, but won't do it."

Gonzalez proposed that the U.S. Treasury and the Federal Reserve take the point in organizing international cooperation to bring the threat under control.

But this is where the behavior of the press is key. The President of the United States, unique among all agencies worldwide, does dispose of the power the bring what Gonzalez is identifying under control. No other agency has this power. Article I, Section 8 of the U.S. Constitution is the relevant expression of that power. Congress is uniquely the lawful creator of currency and credit. The President can require of Congress, under emergency conditions, that such powers be used for objectives which would include gearing up the economy through productive employment programs and infrastructure development.

The press media which choose to ignore the matters of national survival raised by Congressman Gonzalez, in favor of the Whitewater nonsense, happen to be the same ones deployed on behalf of the treasonous objectives of the international advisers of Conrad Black's Hollinger Corp. to destroy the U.S. presidency, lest the powers of that office be used to accomplish something which the masters of Conrad Black do not approve of, such as reorganizing the national and world economy.

Meanwhile, other matters are gathering speed. Stock markets, bond markets are down, and the idiots ask, "Is it a market correction, or a bear market?" They don't know what they are talking about.

Take the latest eruptions: France's still nationalized bank Crédit Lyonnais, was bailed out by the government because of previously unreported losses. Crédit Lyonnais, with $1.11 trillion in derivatives exposure (more than France's Gross National Product) was number nine on *Fortune* magazine's recent ranking of the global top 20 dealers in derivatives. Or in Britain, the central bank is said to have bailed out Midland Bank's losses on the gilt market. Since 1992, Midland has been a European subsidiary of the Hongkong and Shanghai Banking Corp., which also happens to be one of the world's largest largest currency and securities dealers, and accounts for some 30% of the capitalization of the Hongkong Stock Exchange. They join the list of the walking wounded which began to surface in February after Federal Reserve Chairman Alan Greenspan raised interest rates. And among those walking wounded were numbers two and four in the top 20, Bankers Trust and J.P. Morgan; and number 16, Goldman Sachs. Among all these identified, the derivative exposure is nearly $8 trillion.

It is not the individual cases which add up to a developing crisis. But the identified asset-stripping process, compounded with the effects of the leverage built up by derivatives dealers under previous conditions of falling interest rates, as borrowings were taken on to "finance" speculative positions adopted in view of the potential for outrageous gains, do add up to one whopper of a crisis.

Like all schemes named after Ponzi's "salad oil swindle," one single break in the chain of "payment" is sufficient to bring down the whole thing, whether the chain is a simple letter, or an electronic mail entry.

This is all something which the presidency has the power to deal with, provided those who want to destroy the presidency's power are defeated. The behavior of the Capitol Hill press corps on March 28 shows what slavish rascals those are who are promoting the Hollinger-inspired Whitewater caper.