

A Progressive Stimulus Package for America's Future Sustainability

by Gary Null, PhD

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There is no doubt that a stimulus package is direly needed during this global economic meltdown. But America needs much more than simply a budget that will induce economic recovery. She needs the minds of her citizens to be stimulated into a new way of thinking that will result in the reforming of the basic institutions overseeing our financial, health, political and social requirements. Consequently, we have solicited thoughts, critiques and comments from some of America's most brilliant and progressive minds. These individuals see our nation and our governing financial and political bodies differently. They see beyond the limiting belief systems that empower these institutions as the sole arbiters of the critical decisions and policies affecting Americans.

Why Are We So Afraid of the Truth and Unable to Take Action?

Christopher Hedges, a Pulitzer Prize winner while at the *New York Times*, is one of America's most insightful and courageous journalists. He was silenced by the *New York Times* for merely telling the truth about America's war efforts in the Middle East, at a time when blind patriotism was the rule rather than the exception. We reproduce, in its entirety, his analysis and critique of America's current political, economic and intellectual culture. We do so because the average American has been hoodwinked into believing that only the best and brightest minds of Wall Street and Washington can fix the problem. We disagree. This essay will help you understand why I believe those who created the problem, should not be asked to solve it.

America the Illiterate

“We live in two Americas. One America, now the minority, functions in a print-based, literate world. It can cope with complexity and has the intellectual tools to separate illusion from truth. The other America, which constitutes the majority, exists in a non-reality-based belief system. This America, dependent on skillfully manipulated images for information, has severed itself from the literate, print-based culture. It cannot differentiate between lies and truth. It is informed by simplistic, childish narratives and clichés. It is thrown into confusion by ambiguity, nuance and self-reflection. This divide, more than race, class or gender, more than rural or urban, believer or nonbeliever, red state or blue state, has split the country into radically distinct, unbridgeable and antagonistic entities.

“There are over 42 million American adults, 20 percent of whom hold high school diplomas, who cannot read, as well as the 50 million who read at a fourth- or fifth-grade level. Nearly a third of the nation's population is illiterate or barely literate. And their numbers are growing by an estimated 2 million a year. But even those who are

supposedly literate retreat in huge numbers into this image-based existence. A third of high school graduates, along with 42 percent of college graduates, never read a book after they finish school. Eighty percent of the families in the United States last year did not buy a book.

“The illiterate rarely vote, and when they do vote they do so without the ability to make decisions based on textual information. American political campaigns, which have learned to speak in the comforting epistemology of images, eschew real ideas and policy for cheap slogans and reassuring personal narratives. Political propaganda now masquerades as ideology. Political campaigns have become an experience. They do not require cognitive or self-critical skills. They are designed to ignite pseudo-religious feelings of euphoria, empowerment and collective salvation. Campaigns that succeed are carefully constructed psychological instruments that manipulate fickle public moods, emotions and impulses, many of which are subliminal. They create a public ecstasy that annuls individuality and fosters a state of mindlessness. They thrust us into an eternal present. They cater to a nation that now lives in a state of permanent amnesia. It is style and story, not content or history or reality, which inform our politics and our lives. We prefer happy illusions. And it works because so much of the American electorate, including those who should know better, blindly cast ballots for slogans, smiles, the cheerful family tableaux, narratives and the perceived sincerity and the attractiveness of candidates. We confuse how we feel with knowledge.

“The illiterate and semi-literate, once the campaigns are over, remain powerless. They still cannot protect their children from dysfunctional public schools. They still cannot understand predatory loan deals, the intricacies of mortgage papers, credit card agreements and equity lines of credit that drive them into foreclosures and bankruptcies. They still struggle with the most basic chores of daily life from reading instructions on medicine bottles to filling out bank forms, car loan documents and unemployment benefit and insurance papers. They watch helplessly and without comprehension as hundreds of thousands of jobs are shed. They are hostages to brands. Brands come with images and slogans. Images and slogans are all they understand. Many eat at fast food restaurants not only because it is cheap but because they can order from pictures rather than menus. And those who serve them, also semi-literate or illiterate, punch in orders on cash registers whose keys are marked with symbols and pictures. This is our brave new world.

“Political leaders in our post-literate society no longer need to be competent, sincere or honest. They only need to appear to have these qualities. Most of all they need a story, a narrative. The reality of the narrative is irrelevant. It can be completely at odds with the facts. The consistency and emotional appeal of the story are paramount. The most essential skill in political theater and the consumer culture is artifice. Those who are best

at artifice succeed. Those who have not mastered the art of artifice fail. In an age of images and entertainment, in an age of instant emotional gratification, we do not seek or want honesty. We ask to be indulged and entertained by clichés, stereotypes and mythic narratives that tell us we can be whomever we want to be, that we live in the greatest country on Earth, that we are endowed with superior moral and physical qualities and that our glorious future is preordained, either because of our attributes as Americans or because we are blessed by God or both.

“The ability to magnify these simple and childish lies, to repeat them and have surrogates repeat them in endless loops of news cycles, gives these lies the aura of an uncontested truth. We are repeatedly fed words or phrases like yes we can, maverick, change, pro-life, hope or war on terror. It feels good not to think. All we have to do is visualize what we want, believe in ourselves and summon those hidden inner resources, whether divine or national, that make the world conform to our desires. Reality is never an impediment to our advancement.

“In our post-literate world, because ideas are inaccessible, there is a need for constant stimulus. News, political debate, theater, art and books are judged not on the power of their ideas but on their ability to entertain. Cultural products that force us to examine ourselves and our society are condemned as elitist and impenetrable. Hannah Arendt warned that the marketization of culture leads to its degradation, that this marketization creates a new celebrity class of intellectuals who, although well read and informed themselves, see their role in society as persuading the masses that “Hamlet” can be as entertaining as “The Lion King” and perhaps as educational. “Culture,” she wrote, “is being destroyed in order to yield entertainment.”

“There are many great authors of the past who have survived centuries of oblivion and neglect,” Arendt wrote, “but it is still an open question whether they will be able to survive an entertaining version of what they have to say.”

“The change from a print-based to an image-based society has transformed our nation. Huge segments of our population, especially those who live in the embrace of the Christian right and the consumer culture, are completely unmoored from reality. They lack the capacity to search for truth and cope rationally with our mounting social and economic ills. They seek clarity, entertainment and order. They are willing to use force to impose this clarity on others, especially those who do not speak as they speak and think as they think. All the traditional tools of democracies, including dispassionate scientific and historical truth, facts, news and rational debate, are useless instruments in a world that lacks the capacity to use them.

“As we descend into a devastating economic crisis, one that Barack Obama cannot halt, there will be tens of millions of Americans who will be ruthlessly thrust aside. As their houses are foreclosed, as their jobs are lost, as they are forced to declare bankruptcy and watch their communities collapse, they will retreat even further into irrational fantasy. They will be led toward glittering and self-destructive illusions by our modern Pied Pipers—our corporate advertisers, our charlatan preachers, our television news celebrities, our self-help gurus, our entertainment industry and our political demagogues—who will offer increasingly absurd forms of escapism.

“The core values of our open society, the ability to think for oneself, to draw independent conclusions, to express dissent when judgment and common sense indicate something is wrong, to be self-critical, to challenge authority, to understand historical facts, to separate truth from lies, to advocate for change and to acknowledge that there are other views, different ways of being, that are morally and socially acceptable, are dying. Obama used hundreds of millions of dollars in campaign funds to appeal to and manipulate this illiteracy and irrationalism to his advantage, but these forces will prove to be his most deadly nemesis once they collide with the awful reality that awaits us.”

America is in Need of a Moral Bailout

“In decaying societies, politics become theater. The elite, who have hollowed out the democratic system to serve the corporate state, rule through image and presentation. They express indignation at AIG bonuses and empathy with a working class they have spent the last few decades disenfranchising, and make promises to desperate families that they know will never be fulfilled. Once the spotlights go on they read their lines with appropriate emotion. Once the lights go off, they make sure Goldman Sachs and a host of other large corporations have the hundreds of billions of dollars in losses they incurred playing casino capitalism repaid with taxpayer money.

“We live in an age of moral nihilism. We have trashed our universities, turning them into vocational factories that produce corporate drones and chase after defense-related grants and funding. The humanities, the discipline that forces us to stand back and ask the broad moral questions of meaning and purpose, that challenges the validity of structures, that trains us to be self-reflective and critical of all cultural assumptions, have withered. Our press, which should promote such intellectual and moral questioning, confuses bread and circus with news and refuses to give a voice to critics who challenge not this bonus payment or that bailout but the pernicious superstructure of the corporate state itself. We kneel before a cult of the self, elaborately constructed by the architects of our consumer society, which dismisses compassion, sacrifice for the less fortunate, and honesty. The methods used to attain what we want, we are told by reality television programs, business

schools and self-help gurus, are irrelevant. Success, always defined in terms of money and power, is its own justification. The capacity for manipulation is what is most highly prized. And our moral collapse is as terrifying, and as dangerous, as our economic collapse.

“The values that sustain an open society have been crushed. A university, as John Ralston Saul writes, now “actively seeks students who suffer from the appropriate imbalance and then sets out to exaggerate it. Imagination, creativity, moral balance, knowledge, common sense, a social view—all these things wither. Competitiveness, having an ever-ready answer, a talent for manipulating situations—all these things are encouraged to grow. As a result amorality also grows; as does extreme aggressivity when they are questioned by outsiders; as does a confusion between the nature of good versus having a ready answer to all questions. Above all, what is encouraged is the growth of an undisciplined form of self-interest, in which winning is what counts.”

“This moral nihilism would have terrified Adorno. He knew that radical evil was possible only with the collaboration of a timid, cowed and confused population, a system of propaganda and a press that offered little more than spectacle and entertainment and an educational system that did not transmit transcendent values or nurture the capacity for individual conscience. He feared a culture that banished the anxieties and complexities of moral choice and embraced a childish hyper-masculinity, one championed by ruthless capitalists (think of the brutal backstabbing and deception cheered by TV shows like “Survivor”) and Hollywood action heroes like the governor of California.

“This educational ideal of hardness, in which many may believe without reflecting about it, is utterly wrong,” Adorno wrote. “The idea that virility consists in the maximum degree of endurance long ago became a screen-image for masochism that, as psychology has demonstrated, aligns itself all too easily with sadism.”

“Sadism is as much a part of popular culture as it is of corporate culture. It dominates pornography, runs like an electric current through reality television and trash-talk programs and is at the core of the compliant, corporate collective. Corporatism is about crushing the capacity for moral choice. And it has its logical fruition in Abu Ghraib, the wars in Iraq and Afghanistan and our lack of compassion for the homeless, our poor, the mentally ill, the unemployed and the sick.

“The political and economic forces fuelling such crimes against humanity—whether they are unlawful wars, systemic torture, practiced indifference to chronic starvation and disease or genocidal acts—are always mediated by educational forces,” Giroux said. “Resistance to such acts cannot take place without a degree of knowledge and self-

reflection. We have to name these acts and transform moral outrage into concrete attempts to prevent such human violations from taking place in the first place.”

“The single most important quality needed to resist evil is moral autonomy. Moral autonomy, as Immanuel Kant wrote, is possible only through reflection, self-determination and the courage not to cooperate.

“Moral autonomy is what the corporate state, with all its attacks on liberal institutions and “leftist” professors, has really set out to destroy. The corporate state holds up as our ideal what Adorno called “the manipulative character.” The manipulative character has superb organizational skills and the inability to have authentic human experiences. He or she is an emotional cripple and driven by an overvalued realism. The manipulative character is a systems manager. He or she exclusively trained to sustain the corporate structure, which is why our elites are wasting mind-blowing amounts of our money on corporations like Goldman Sachs and AIG. “He makes a cult of action, activity, of so-called efficiency as such which reappears in the advertising image of the active person,” Adorno wrote of this personality type. These manipulative characters, people like Lawrence Summers, Henry Paulson, Robert Rubin, Ben Bernanke, Timothy Geithner, AIG’s Edward Liddy and Goldman Sachs CEO Lloyd Blankfein, along with most of our ruling class, have used corporate money and power to determine the narrow parameters of the debate in our classrooms, on the airwaves and in the halls of Congress while they looted the country.

“It is especially difficult to fight against it,” warned Adorno, “because those manipulative people, who actually are incapable of true experience, for that very reason manifest an unresponsiveness that associates them with certain mentally ill or psychotic characters, namely schizoids.”

The Best and Brightest Led America Off a Cliff

“The multiple failures that beset the country, from our mismanaged economy to our shredded constitutional rights to our lack of universal health care to our imperial debacles in the Middle East, can be laid at the feet of our elite universities. Harvard, Yale, Princeton and Stanford, along with most other elite schools, do a poor job educating students to think. They focus instead, through the filter of standardized tests, enrichment activities, advanced placement classes, high-priced tutors, swanky private schools and blind deference to all authority, on creating hordes of competent systems managers. The collapse of the country runs in a direct line from the manicured quadrangles and halls in places like Cambridge, Princeton and New Haven to the financial and political centers of power.

“The nation’s elite universities disdain honest intellectual inquiry, which is by its nature distrustful of authority, fiercely independent and often subversive. They organize learning around minutely specialized disciplines, narrow answers and rigid structures that are designed to produce certain answers. The established corporate hierarchies these institutions service—economic, political and social—come with clear parameters, such as the primacy of an unfettered free market, and with a highly specialized vocabulary. This vocabulary, a sign of the “specialist” and of course the elitist, thwarts universal understanding. It keeps the uninitiated from asking unpleasant questions. It destroys the search for the common good. It dices disciplines, faculty, students and finally experts into tiny, specialized fragments. It allows students and faculty to retreat into these self-imposed fiefdoms and neglect the most pressing moral, political and cultural questions. Those who defy the system—people like Ralph Nader—are branded as irrational and irrelevant. These elite universities have banished self-criticism. They refuse to question a self-justifying system. Organization, technology, self-advancement and information systems are the only things that matter.

“I sat a few months ago with a former classmate from Harvard Divinity School who is now a theology professor. When I asked her what she was teaching, she unleashed a torrent of obscure academic code words. I did not understand, even with three years of seminary, what she was talking about. You can see this absurd retreat into specialized, impenetrable verbal enclaves in every graduate department across the country. The more these universities churn out these stunted men and women, the more we are flooded with a peculiar breed of specialist. This specialist blindly services tiny parts of a corporate power structure he or she has never been taught to question and looks down on the rest of us with thinly veiled contempt.

“I was sent to boarding school on a scholarship at the age of 10. By the time I had finished eight years in New England prep schools and another eight at Colgate and Harvard, I had a pretty good understanding of the game. I have also taught at Columbia, New York University and Princeton. These institutions, no matter how mediocre you are, feed students with the comforting self-delusion that they are there because they are not only the best but they deserve the best. You can see this attitude on display in every word uttered by George W. Bush. Here is a man with severely limited intellectual capacity and no moral core. He, along with “Scooter” Libby, who attended my boarding school and went on to Yale, is an example of the legions of self-centered mediocrities churned out by places like Andover, Yale and Harvard. Bush was, like the rest of his caste, propelled forward by his money and his connections. That is the real purpose of these well-endowed schools—to perpetuate their own.

“There’s a certain kind of student at these schools who falls in love with the mystique and prestige of his own education,” said Elyse Graham, whom I taught at Princeton and who is now doing graduate work at Yale. “This is the guy who treats his time at Princeton as a scavenger hunt for Princetoniana and Princeton nostalgia: How many famous professors can I collect? And so on. And he comes away not only with all these props for his sense of being elect, but also with the smoothness that seems to indicate wide learning; college socializes you, so you learn to present even trite ideas well.”

“These institutions cater to their students like high-end resorts. My prep school—remember this is a high school—recently built a \$26-million gym. Not that it didn’t have a gym. It had a fine one with an Olympic pool. But it needed to upgrade its facilities to compete for the elite boys and girls being wooed by other schools. While public schools crumble, while public universities are slashed and degraded, while these elite institutions become unaffordable even for the middle class, the privileged retreat further into their opulent gated communities. Harvard lost \$8 billion of its endowment over the past four months, which raises the question of how smart these people are, but it still has \$30 billion. Schools like Yale, Stanford and Princeton are not far behind. Those on the inside are told they are there because they are better than others. Most believe it.

“These universities, because of their incessant reliance on standardized tests and the demand for perfect grades, fill their classrooms with large numbers of drones. I have taught gifted and engaged students who used these institutions to expand the life of the mind, who asked the big questions and who cherished what these schools had to offer. But they were always a marginalized and dispirited minority. The bulk of their classmates, most of whom headed off to Wall Street or corporate firms when they graduated, starting at \$120,000 a year, did prodigious amounts of work and faithfully regurgitated information. They received perfect grades in both tedious, boring classes and stimulating ones, not that they could tell the difference. They may have known the plot and salient details of Joseph Conrad’s “Heart of Darkness,” but they were unable to tell you why the story was important. Their professors, fearful of being branded political and not wanting to upset the legions of wealthy donors and administrative overlords who rule such institutions, did not draw the obvious parallels with Iraq and American empire. They did not use Conrad’s story, as it was meant to be used, to examine our own imperial darkness. And so, even in the anemic world of liberal arts, what is taught exists in a moral void.

“The existence of multiple forms of intelligence has become a commonplace, but however much elite universities like to sprinkle their incoming classes with a few actors or violinists, they select for and develop one form of intelligence: the analytic,” William Deresiewicz, who taught English at Yale, wrote in “The American Scholar.” “While this

is broadly true of all universities, elite schools, precisely because their students (and faculty, and administrators) possess this one form of intelligence to such a high degree, are more apt to ignore the value of others. One naturally prizes what one most possesses and what most makes for one's advantages. But social intelligence and emotional intelligence and creative ability, to name just three other forms, are not distributed preferentially among the educational elite."

"Intelligence is morally neutral. It is no more virtuous than athletic prowess. It can be used to further the rape of the working class by corporations and the mechanisms of repression and war, or it can be used to fight these forces. But if you determine worth by wealth, as these institutions invariably do, then fighting the system is inherently devalued. The unstated ethic of these elite institutions is to make as much money as you can to sustain the elitist system. College presidents are not voices for the common good and the protection of intellectual integrity, but obsequious fundraisers. They shower honorary degrees and trusteeships on hedge fund managers and Wall Street titans whose lives are usually examples of moral squalor and unchecked greed. The message to the students is clear. But grabbing what you can, as John Ruskin said, isn't any less wicked when you grab it with the power of your brains than with the power of your fists.

"Most of these students are afraid to take risks. They cower before authority. They have been taught from a young age by zealous parents, schools and institutional authorities what constitutes failure and success. They are socialized to obey. They obsess over grades and seek to please professors, even if what their professors teach is fatuous. The point is to get ahead. Challenging authority is not a career advancer. Freshmen arrive on elite campuses and begin to network their way into the elite eating clubs, test into the elite academic programs and lobby for elite summer internships. By the time they graduate they are superbly conditioned to work 10 or 12 hours a day electronically moving large sums of money around.

"The system forgot to teach them, along the way to the prestige admissions and the lucrative jobs, that the most important achievements can't be measured by a letter or a number or a name," Deresiewicz wrote. "It forgot that the true purpose of education is to make minds, not careers."

"Only a small minority have seen their education as part of a larger intellectual journey, have approached the work of the mind with a pilgrim soul," he went on. "These few have tended to feel like freaks, not least because they get so little support from the university itself. Places like Yale, as one of them put it to me, are not conducive to searchers. Places like Yale are simply not set up to help students ask the big questions. I don't think there ever was a golden age of intellectualism in the American university, but in the 19th

century students might at least have had a chance to hear such questions raised in chapel or in the literary societies and debating clubs that flourished on campus.”

“Barack Obama is a product of this elitist system. So are his degree-laden Cabinet members. They come out of Harvard, Yale, Wellesley and Princeton. Their friends and classmates made huge fortunes on Wall Street and in powerful law firms. They go to the same class reunions. They belong to the same clubs. They speak the same easy language of privilege and comfort and entitlement. They are endowed with an unbridled self-confidence and blind belief in a decaying political and financial system that has nurtured and empowered them.

“These elites, and the corporate system they serve, have ruined the country. These elite cannot solve our problems. They have been trained to find “solutions,” such as the trillion-dollar bailout of banks and financial firms, that sustain the system. They will feed the beast until it dies. Don’t expect them to save us. They don’t know how. And when it all collapses, when our rotten financial system with its trillions in worthless assets implodes and our imperial wars end in humiliation and defeat, they will be exposed as being as helpless, and as stupid, as the rest of us.”

Aside from analysis of Chris Hedges, many other progressive economists have stated that the complexity of the financial crisis is well over the heads of the average American’s ability to understand. As a consequence, it is very easy for the media and politicians to spin the severity of the financial meltdown into a simplified language people can emotionally agree with and which serves the purposes of Wall Street and Washington. Lucy Komisar, an investigative journalist who specializes in financial corruption has stated, “There’s nothing like a grandstanding member of Congress to deflect attention from the real issues at hand by throwing a few juicy bones to the masses.” In her article “The Real AIG Scandal: How the Game is Rigged at Wall Street’s Casino”, Komisar outlines clearly how Wall Street’s game of derivatives, credit default swaps and naked short selling have been ideally poised for fraud and manipulation at the expense of citizens.

Derivatives

“Derivatives are financial instruments derived from something else, hence the name. In the lingo of Wall Street, nouns are turned into verbs and verbs beget nouns. If a bank or brokerage firm "securitizes" debt -- for example, turning a bundle of mortgages into financial products -- the resulting securities are derived from those mortgages, thus they are mortgage "derivatives." They can be sliced and diced and sold and, at the insistence of Wall Street powers and their representatives, the derivative transactions are unregulated.

“Central to AIG's demise were derivative credit default swaps (CDS), basically insurance on financial deals. Some people bought insurance against their houses burning down. Others made bets on somebody else's house burning down. That's an insurance policy for someone without a house at risk.

“The first type of contract should be seen as legitimate. But should U.S. taxpayers, who own nearly 80 percent of AIG, pay off a wager that somebody else's house would burn down in this financial casino Wall Street built out of the ashes of cut-and-burn deregulation?

“More importantly: Should they pay off the wager if there are indications that the game may have been rigged in the first place?

“Derivatives contracts on stocks can be "hedged" with a short sale.

“Short selling is selling a stock that you borrow. The short-seller hopes the price will go down in order to buy the security cheaper and transfer it back to the lender, gaining a profit from the difference in prices from the time the shares were borrowed and the time the shares were returned to the lender.

“Naked short selling is selling shares that were never borrowed -- it's selling thin air, or in essence, selling counterfeit securities. Done on a large scale, this pushes down share prices across the board as the artificial supply of shares -- ballooned by those phantom shares -- outweighs demand.

“The Securities and Exchange Commission's real effort in stopping naked short selling has been on a par with its interest in investigating Bernie Madoff.

“A newly released report from the Office of Inspector General revealed that the SEC received 5,000 complaints regarding naked short selling of stocks in 2007 and 2008, which led to zero enforcement actions by the SEC.

A Market Ripe for Fraud and Manipulation

“Here's how naked short selling relates to manipulation of CDSes. The face value of CDS contracts at one time was \$60 trillion. Even Christopher Cox, who took no meaningful action on the matter as SEC chairman, got worried and acknowledged in testimony, "Holding a credit default swap is effectively, or nearly effectively, taking a short position in the underlying ... and because CDS buyers don't have to own the bond or the debt instrument upon which the contract is based, they can effectively naked short

the debt of companies without any restriction, potentially causing market disruption and destabilizing the companies themselves. This market is ripe for fraud and manipulation.

"This is a problem we have been dealing with, with our international regulatory counterparts around the world with straight equities (stock), and it's a big problem in a market that has no transparency and people don't know where the risk lies."

"The most profit from these types of contracts is obtained if the security that is the asset for the contract declines to a price of zero. Derivative trades are often sham transactions between cooperating dealers designed solely for the purpose of creating shares to sell into the public market. Securities prices can be manipulated downward through naked short selling. Even though derivatives are unregulated transactions, the stock manipulation occurring from the sham transactions that create the naked short shares is regulated and is illegal under U.S. securities laws.

"If the derivatives contracts were hedged with a short sale by the casino operators, they have already received profit from the sale of the securities they did not own.

Where Does the Money go?

"Derivatives trades are generally accounted for by the big broker dealers (now getting taxpayer money) as "off balance sheet" transactions. They are hidden from regulators and investors, via special purpose entities (SPEs), which can be offshore and presumably are for the profit of elite special partners or clients of these same firms.

More Transparency Needed

"So, we need to know about the claims AIG and others on Wall Street are paying out from taxpayer funds. Who made these derivative trades? Did they own the underlying assets or not? Did the parties that received money from the taxpayers write sham contracts to create shares to sell and then naked short sell securities they didn't own into the U.S. markets? Is AIG paying on "losses" for which no claims have yet been made?

"Shouldn't Congress, the Fed -- which is overseeing AIG -- and law enforcement agencies be investigating these SPEs and the money they received? Shouldn't they investigate whether it was obtained illegally?

"What if there are trillions of dollars in the special purpose entities that have been hidden for the benefit of a powerful few? Should the U.S. taxpayer come to the aid of the largest U.S. banks and brokerages that created these fancy off-balance-sheet financial

instruments without full disclosure to at least one government agency of the monies in SPE accounts?

“How can Congress make intelligent regulation without understanding the scope of the problem and the trading techniques they are trying to regulate, which took down AIG and are destroying the economy -- especially the sham transactions designed for the purpose of creating shares of publicly traded companies?”

“Since Congress is so focused on Wall Street salaries and bonuses that compensate obscenely paid Wall Street executives, shouldn't it be asking if these titans of business have reaped financial rewards through the use of SPEs? Beyond that, were offshore SPEs used to avoid taxes or hide improper gains?”

“Why should we pay anything for the casino gambling debt? If there were illegal profits made on derivatives transactions that created sham shares sold into the marketplace, we should claw back that money, which could amount to a lot more than the bonuses paid to AIG officials.”

The US dollar's status as the world's reserve currency is now seriously threatened. According to Paul Craig Roberts, a former Assistant Secretary of the Treasury during the Reagan administration, this is in large part due to the “debt monetization and multi-year, multi-trillion dollar issuance of new Treasuries.” In his essay “Is the Bailout Breeding a Bigger Crisis?” Roberts summarizes the situation and its impact on the nation's future economy.

“The United States has become an import-dependent country. The US is dependent on imports for energy, manufactured goods including clothes and shoes, and advanced technology products. If the US dollar loses its reserve currency status, the US will not be able to pay for its imports. The ensuing crisis would dwarf the current one.

“Obama's advisers believe that the US can monetize debt and issue new debt endlessly, because America's capital markets are the deepest and most liquid. The dollar is strong, Obama said at his press conference.

“But already cracks and strains are appearing. The day after Obama's press conference, an auction of UK bonds, known as gilts, failed when bids fell short of the supply offered and interest rates rose. This is a bad sign for Prime Minister Gordon Brown's plan to market an unprecedented amount of new debt during the current fiscal year.

“The Fed cannot monetize new Treasury issues without the word getting out. If and when this happens, the US dollar's exchange value is likely to drop while interest rates and inflation rise.

“To avoid a crisis of this magnitude, the US needs to focus on saving the dollar as reserve currency. As I previously emphasized, this requires reducing US budget and trade deficits.

“Despite the near-term budget costs of ending the occupation of Iraq and the war in Afghanistan, terminating these pointless military adventures would produce immediate large out-year budget savings. Closing many foreign military bases and cutting a gratuitously large military budget would produce more out-year savings. The Obama administration’s belief that it can continue with Bush’s wars of aggression while it engages in a massive economic bailout indicates a lack of seriousness about America’s predicament.

“Rome eventually understood that its imperial frontiers exceeded its resources and pulled back. This realization has yet to dawn on Washington.”

Joseph Stiglitz observes serious failings in the Obama-Geithner stimulus recovery plan. He notes nine fundamental shortcomings in the plan that will have long-term detrimental effects if not addressed urgently.

1. Delaying bank restructuring is costly, in terms of both the eventual bailout costs and the damage to the overall economy in the interim.
2. Governments do not like to admit the full costs of the problem, so they give the banking system just enough to survive, but not enough to return it to health.
3. Confidence is important, but it must rest on sound fundamentals. Policies must not be based on the fiction that good loans were made, and that the business acumen of financial-market leaders and regulators will be validated once confidence is restored.
4. Bankers can be expected to act in their self-interest on the basis of incentives.. Perverse incentives fueled excessive risk-taking, and banks that are near collapse but are too big to fail will engage in even more of it. Knowing that the government will pick up the pieces if necessary, they will

postpone resolving mortgages and pay out billions in bonuses and dividends.

5. Socializing losses while privatizing gains is more worrisome than the consequences of nationalizing banks. American taxpayers are getting an increasingly bad deal. In the first round of cash infusions, they got about 67 cents in assets for every dollar they gave (though the assets were almost surely overvalued, and quickly fell in value). But in the recent cash infusions, it is estimated that Americans are getting 25 cents, or less, for every dollar. Bad terms mean a large national debt in the future.

6. Don't confuse saving bankers and shareholders with saving banks. America could have saved its banks, but let the shareholders go, for far less than it has spent.

7. Trickle-down economics almost never works. Throwing money at the banks hasn't helped homeowners: foreclosures continue to increase. Letting AIG fail might have hurt some systemically important institutions, but dealing with that would have been better than to gamble upwards of \$150 billion and hope that some of it might stick where it is important. One of the reasons we may be getting bad terms is that if we got fair value for our money, we would by now be the dominant shareholder in at least one of the major banks.

8. Lack of transparency got America's financial system into this trouble. Lack of transparency will not get it out. The Obama administration is promising to pick up losses to persuade hedge funds and other private investors to buy out banks' bad assets. But this will not establish "market prices," as the administration claims. Banks' losses have already occurred, and their gains must now come at taxpayers' expense. Bringing in hedge funds as third parties will simply increase the cost.

9. Better to be forward looking than backward looking, focusing on reducing the risk of new loans and ensuring that funds create new lending capacity.

Finally, Obama's economic stimulus plan needs to avoid certain indicators that could further destabilize the nation's economy. Ralph Nader has identified some of these indicators succinctly. He notes that none of the four indicators listed below are being addressed by the Administration and together they will eventually lead to further greed and manipulation that generated the economic crisis in the first place.

1. Where are the resources for comprehensive law enforcement against the Wall Street crooks, swindlers and purveyors of costly deceptive practices? Isn't there a need to add two to three hundred million dollars for more FBI agents, prosecutors and corporate crime attorneys under the Justice Department to obtain the fines and disgorgements which will far exceed in dollars what is spent by the forces of law and order?

Americans want justice. They want jail time not bail time for these crooks. Look how many of the swindled just turned out in a New York City winter to let Bernard Madoff have a piece of their mind as he entered the courtroom and immediate imprisonment.

There has been very little movement so far in Congress or the White House toward this necessary action.

2. Where are the anti-trusters to revive the moribund divisions in the Justice Department and Federal Trade Commission? Failed banks, brokerage firms, and now insurance companies are being taken over by shaky acquirers, often with the encouragement of the federal government. Other industries are experiencing similar mergers and acquisitions in an already over-concentrated economy.

Our government needs to be on top of this accelerating creation of more companies deemed to be "too big to fail." A variety of antitrust policies are needed to prevent, restructure or, at least, require spinoffs to minimize the anti-competitive effects of the "urge to merge.

3. What about Congress and Obama shifting some power to the investors and shareholders who are paying for all these losses? The corporate bosses have made sure for many years that shareholders, who own their companies, have little or no right to

control them. Had there been less of a gap between ownership and control, the bosses could never have engaged in such reckless speculation, looting and draining of the trillions of dollars with which they were entrusted. These include mutual funds, pension funds and various trusts. Power to the owners seems to be off the table.

4. The federal officials are talking up stronger regulation and re-regulation proposals but we have not yet been informed of their specific plans. There is not much talk of regulatory prohibition. That is, flat-out prohibition of banks, insurance companies, and other fiduciary institutions from speculating in derivatives or, to be more specific, bets on debts and the even more hyped creations of bets on bets on debts on debts.

Although there is great reluctance across all financial, political and media sectors to use the “D” word, there are certainly signs that the nation is heading towards a deep depression. According to the Financial Times on February 25, bankruptcies were 14% last year and will likely increase to 20% in 2009. The decline in exports and consumer spending has forced a steady economic decline across the US. According to economist James Petras, the approaching depression is a result of steady disinvestment by businesses. He states that “rising business inventories, declining investment, bankruptcies, foreclosures, insolvent banks, massive accumulative losses, restricted credit access, falling asset values and a 20% reduction in household wealth [over \$3 trillion]” are fundamental causes pulling the nation into depression.

Recessions and depressions have a way of wildly entering automatic pilot and progressive economists are almost unanimous in warning against slow, indecisive action to slow a depression’s momentum. However, the last thing a stimulus package should focus upon is injecting massive tax dollars into the coffers of private Wall Street banks, these institutions’ executive bonuses, investment and insurance firms, and the heavily lobbied special interest groups that do not benefit the public at large.

An examination of the White House’s current stimulus proposals--PPIP and TALF--contain all the signs of failure for the long term. It shares many commonalities with the original Bernanke-Paulson TARP plan that has since proved wasteful due to lack of federal fiscal oversight and bank transparency, which should be mandated before promising so much tax dollars to firms who have operated in an unregulated market and in shadowy derivative schemes. Although the new stimulus package contains some valuable benefits and increases investment on Main Street, including the setting of a course for more progressive policies towards healthcare, energy and job creation, many noteworthy economists are quick to criticize it for being too partial towards the financial institutions and providing a pittance in aid to average Americans. The comparative figures between what the government is investing into insolvent Wall Street banks and the urgent social and financial services citizens require to survive remain outrageous. David Korten draws a clear distinction between the “phantom wealth” of the financial institutions, such as derivatives and credit default swaps, and the “real wealth” of Main Street. And Ralph Nader emphasizes repeatedly the need for any stimulus package and taxpayer expenditures to target solutions for real earnings among average Americans. Former Chief Economist of the Senate Banking

Committee, Robert Johnson, has called the Administration's stimulus plan "intravenous drip capitalization" because it neglects to harness the enormous losses and debts on the financial industry's balance sheets. In principle, the entire recovery plan can be summarized as following: bank losses will be socialized at taxpayer expense while at the same time the bailed out banks' gains will remain privatized with no regulation on how those gains will be spent. The entire plan continues to follow Friedmanite and Greenspan trickle down economic theory; that is, by dumping money into the banking system to reinvigorate loans and increase consumption, the road to recovery will be achieved. This, the free marketers firmly believe, will restore consumer confidence and get economy rolling again. However, this is a seriously flawed theory. Fundamentally, it ignores common human psychology. Bailing out the banks to increase credit flow has no guarantee whatsoever for restoring Americans' confidence in the current financial system. In fact, Americans' anger against Wall Street should be a clear indicator of the growing lack of trust people have in our economic leaders and solutions being proposed.

Banks require liquidity to remain solvent. At present there is only one source of liquidity to draw from to relieve the banking institutions, and that is our tax dollars to the government. This comes directly from what citizens earn from hours of hard work and effort, without speculative risk taking. So, an American worker puts in an hour, receives so many dollars, and then a sizeable percentage of this goes into the Treasury's kiddy to allow investors to purchase uncertain toxic assets of questionable value. The current Geithner plan hopes to resurrect securitization into our financial system. Securitization is when loans made out by a lender no longer remain with the loan's originator but are sold to others. These loans included subprime mortgages, automobile loans, credit card and other forms of personal debt loans. These are then divided up, repackaged and sold to other buyers and so on. With each sale, the turnover could be as high as \$40 or more for every dollar spent. These are the derivatives, including credit default swaps, that have turned toxic and reaching \$57 trillion in potentially unrecoverable losses.

Two other critical faults in the stimulus package are: first, it does not target satisfactorily the immediate and ever-increasing personal needs and financial recovery of Americans. In other words, it does not deliver a "bang for the buck" as economist Joseph Stiglitz argues, which would have a long-term impact for generating real assets. During a recent lecture sponsored by the Nation Institute, Stiglitz stated taxpayers, according to the current bailout scheme, are buying 67 cents on the dollar, and as the recession deepens a dollar's investment may decline to 25 cents. Second, the plan does not take into account the horrendous drain of American reserves and dollars now being spent in Iraq and Afghanistan. Third, many politicians are being given numerous pork-barrel benefits that have nothing to do with addressing the current economic crisis—like the \$44 million for repairs at the Agricultural Department headquarters, the \$200 million for rehabilitating the National Mall, the \$400 million to the National Aeronautics and Space Administration (NASA) for research in climate change (any intelligent person should know this already), the \$426 million for new construction of the Centers For Disease Control (CDC), etc.

The Administration's new plan, being called the Public-Private Investment Program, or PPIP, is perhaps civilization's most generous gift in history. The program will handout \$12.5 trillion across a large and confused array of financial institutions with a minimum devoted to programs

for job growth, better healthcare and education, and personal debt relief. This is nearly as large as the nation's GDP, now at \$14 trillion, and it is larger than the current national debt of \$11 trillion. The PPIP follows in the footsteps of Bush's bailout policy in that it is providing enormous taxpayer money to private banks and investors with hardly any strings attached.

The present public debt is about 40% of the US's GDP. According to Robert Borosage's calculations at the Campaign for America's Future, the Obama plan will increase this debt to 65-67% of GDP. At that level, the US will be unable to borrow if really hard times befall the country.

The PPIP budget does provide \$787 billion to the American Recovery and Reinvestment Act. This is the primary relief package directed to the domestic economy, which includes tax cuts (288 billion), tax relief for individuals (237 billion), relief for non-financial companies (51 billion), healthcare (147 billion), education (90.9 billion), the environment (7.2 billion), aid to low income workers, unemployed, job training (82.5 billion), infrastructure investment (80.9 billion), core infrastructure (51.2 billion), energy (61.3 billion), housing (12.7 billion), scientific research (8.9 billion) and other (44.5 billion). However, \$180 billion of the \$787 billion will be spent in 2009.

Now compare this \$787 billion for boosting the well being of average persons, struggling with disposable savings with some of the other handouts that make up the remainder of the PPIP:

- \$2.4 trillion for Fed-expanded overnight lending (free money at 0% interest)
- \$1.25 trillion for Fannie Mae and Freddie Mac mortgage backed securities
- \$700 billion for the originally passed TARP I program for the bank bailout, half released under TARP 2
- \$620 billion for industrial nations' currency swaps
- \$500 billion for a variety of credit market rescues
- \$470 billion to increase for FDIC to borrow from the Treasury
- \$400 billion for taking over Fannie Mae and Freddie Mac
- \$350 for Citigroup loan guarantees
- \$300 billion for the Fed to purchase long-term treasuries
- \$300 billion for the mortgage bailout plan
- \$200 billion for AIG (with more coming)
- Additional \$200 billion for Fannie Mae and Freddie Mac and Federal Home Loan Bank loans
- Hundreds of billions also remain undisclosed for various financial and non-financial Wall Street entities and programs.

An additional criticism is that the plan does not consider what might be saved from the existing budget that could lower spending and taxes, improve social services, and actually make the

nation run more efficiently. With several exceptions, redundancy, waste and profiteering (charging far more for a project's actual cost) remain intrinsic in the targeted spending. For example, when all of the outdated military industrial contracts given for projects that become obsolete before their completion are combined, they represent over a several hundred billion dollars a year. So, if we truly want to re-stimulate the economy, shouldn't we first try to manage the economy we have better? This can be achieved with greater accountability, transparency and ethics. We can then introduce the necessary far-reaching reforms to strengthen America in the global economy.

We are currently throwing \$3.2 billion per month into our military adventures in the Middle East. Obama's recent 2010 budget is asking for 26% more defense spending that Bush spent in 2006. During the past 19 years, the US Treasury has spent \$7 trillion on defense compared to a mere \$52 billion on energy during this same time period.

Americans voted for progressive change that would remove the United States from Iraq, roll back past administrations' favoritism towards the corporate and financial oligarchies, and spark a proactive reinvigoration of life on Main Street. The United Nations and other multinational forces—with America's assistance—can deal with the Afghanistan crisis. Just by exiting these two war zones alone, American taxpayers would save between \$5 and \$10 billion per month. Nobel laureate economist Joseph Stiglitz's thorough analysis of America's war costs in Afghanistan and Iraq is now estimated at over \$3 trillion.

The chart below shows the assets versus liabilities for four of the most insolvent major banks. These figures are from the Comptroller of the Currency and clearly indicate these banks' dire situation due to overextending themselves in derivatives, which include credit default swaps, collateralized debt obligations, structured investment vehicles, mortgage backed securities and other exotic and toxic loans. These four banks alone account for nearly \$179 trillion of toxic debt and downside liabilities and yet their total asset value is only \$4.5 trillion. Furthermore, many of these assets are still over-valued. This means that each of these institutions is virtually bankrupt. There is not enough money in the civilized world to pay off all of these debts. Giving taxpayer money to bail out these banks' liabilities is tantamount to fraud.

Assets vs. Derivatives and Credit Default Swaps for Four Leading Banks

Chart is represented in Millions

<input type="checkbox"/> Bank	Assets	Derivatives	Credit Default Swaps	Total Liabilities
J.P. Morgan Chase	\$1768.657	\$87688.008	\$9177.731	\$96865.739
Citigroup	\$1207.007	\$35645.429	\$2939.783	\$38585.212
Bank Of America	\$1359.071	\$38673.967	\$2480.672	\$41154.639
HSBC Bank USA	\$181.587	\$4133.712	\$1152.948	\$5286.660

During the TARP oversight by the Fed's Ben Bernanke and the Treasury's Henry Paulson, not once were the banks seeking a government bailout required to reveal actual and potential liability portfolios. If this had been done, and if American voters were made fully aware of our financial institutions' true accounts, the original \$700 billion package would have been rejected outright. Instead, the American public has been sucker-punched. And the gang who orchestrated the current meltdown are again steering the sinking vessel to remedy the crisis.

These four banks, along with Goldman Sachs and Wells Fargo-Wachovia, hold 96% of all US bank derivatives and 81% of the total net credit risk exposures according to the most recent report from the Federal Office of Comptroller. No other bank comes close the lowest derivative portfolio among these six firms (HSBC Bank USA). These are the six major "zombie" banks, the most insolvent, that Stiglitz has repeatedly warned about, yet they remain the most cherished institutions that Obama's financial team refuses to nationalize or force into FDIC receivership. Furthermore, due to the shadowy lack of transparency and the nondisclosure of actual assets and debts, it is still unknown to the public how far the financial cancer has metastasized throughout the domestic and global economies.

The shadowy nature of our major banking institutions is further compounded when we consider these banks' subsidiaries in countries that serve as a tax havens. Just for the banks mentioned above, Goldman Sachs has 23 tax haven subsidiaries, 59 for Bank of America, a staggering 427 for Citigroup, and Wachovia has 37. Even AIG has 18 subsidiaries in tax haven countries.

The money in the current stimulus package ignores investment to preserve our natural resources. In my opinion, we cannot solve our problems in the same manner in which we caused them.

Instead the solution should not be an economic one solely, but rather it should look towards a resource solution. Progressive economists and leading environmental policy experts, such as Yale's James Gustave Speth, are pointing out increasingly the inherent relationship between free market capitalism and the abuse of our natural resources and degradation of the environment. The deregulation behind today's economic collapse, and Wall Street's selfish optimism and speculative gambling that fueled it, are the same mode of thinking that is today ushering the ecological crisis. The abuses of casino capitalism are intricately connected with impending collapse of our environment's life support system. Therefore, any major reform in our domestic, and the international, finance systems to reduce our financial debts must also take into account our debt to nature caused by unsustainable industrial agriculture, genetic engineering of crops and animals, misuse of dwindling water resources, the loss of biodiversity and the over-reliance on fossil fuel consumption.

In part, we got into the present recession by shifting away from a manufacturing society to a debt based consumer society. Seventy percent of the US's GNP is based on consumerism much higher than in other developed nations. We must reduce America's over-reliance on consumer spending to restore sustainable economic health. American workers must be supported in their local economies across the US. Otherwise, we are only expending massive amounts of money with no sustainable growth or measurable results to account for it. That is a sure prescription for

further disaster. Specifically, the ever-rising crisis in the quality and scarcity of America's water and the misuse of other precious and finite resources will make human development unsustainable during the coming decades. Clean water and safe food are not luxuries in life. They are necessities.

How Dangerous is the White House Economic Stimulus Plan?

The stimulus plan to dump trillions of dollars into the banking system is now being perceived as containing many loopholes for investors to manipulate for their own personal gain. Prof. Jeffrey Sachs, a distinguished Professor of Economics and Director of the Earth Institute at Columbia University has brilliantly outlined the almost certain danger intrinsic to the plan. It is worth reading carefully Prof. Sach's explanation of how investors will game American's tax dollars:

“Consider a toxic asset held by Citibank with a face value of \$1 million, but with zero probability of any payout and therefore with a zero market value. An outside bidder would not pay anything for such an asset. All of the previous articles consider the case of true outside bidders.

“Suppose, however, that Citibank itself sets up a Citibank Public-Private Investment Fund (CPPIF) under the Geithner-Summers plan. The CPPIF will bid the full face value of \$1 million for the worthless asset, because it can borrow \$850K from the FDIC, and get \$75K from the Treasury, to make the purchase! Citibank will only have to put in \$75K of the total.

“Citibank thereby receives \$1 million for the worthless asset, while the CPPIF ends up with an utterly worthless asset against \$850K in debt to the FDIC. The CPPIF therefore quietly declares bankruptcy, while Citibank walks away with a cool \$1 million. Citibank's net profit on the transaction is \$925K (remember that the bank invested \$75K in the CPPIF) and the taxpayers lose \$925K. Since the total of toxic assets in the banking system exceeds \$1 trillion, and perhaps reaches \$2-3 trillion, the amount of potential rip-off in the Geithner-Summers plan is unconscionably large.

“The earlier criticisms of the Geithner-Summers plan showed that even outside bidders generally have the incentive to bid far too much for the toxic assets, since they too get a free ride from the government loans. But once we acknowledge the insider-bidding route, the potential to game the plan at the cost of the taxpayers becomes extraordinary. And the gaming of the system doesn't have to be as crude as Citibank setting up its own CPPIF. There are lots of ways that it can do this indirectly, for example, buying assets of other banks which in turn buy Citi's assets. Or other stakeholders in Citi, such as groups of bondholders and shareholders, could do the same.”

Prof. Sachs, among many other prominent economists such as Stiglitz and Krugman, foresee the Geithner-Summer proposal as a gigantic money grab of taxpayer money solely for Wall Street interests. To date, no one in the Administration has detailed the rationale for why their plan is the best option. The fact is that it is the only option they are interested in, regardless of whether it is the best or not. What makes matters worse is that Obama's financial team, and Obama himself, have barricaded themselves off from engaging in deep dialogue with the plan's economic critics.

What is Wrong with the Bernanke and the Fed?

Economist, author Mike Whitney summarized in detail the misguided steps being taken by Ben Bernanke and the Fed in his article “Bernanke’s Financial Rescue Plan: The Growing Prospect of a US Default” (published on April 6, 2009 through the website of the Centre for Global Research in Canada.

“Fed chief Ben Bernanke has embarked on the most radical and ruinous financial rescue plan in history. According to Bloomberg News, the Fed has already lent or committed \$12.8 trillion trying to stabilize the financial system after the the bursting of Wall Street's speculative mega-bubble. Now Bernanke wants to dig an even bigger hole, by creating programs that will provide up to \$2 trillion of credit to financial institutions that purchase toxic assets from banks or securities backed by consumer loans. The Fed's generous terms are expected to generate a flurry of speculation which will help strengthen the banking system while leaving the taxpayer to bear the losses. It is impossible to know what the long-term effects of Bernanke's excessive spending will be, but his plan has the potential to trigger hyperinflation or spark a run on the dollar.

“Bernanke's zero-percent interest rates, multi-trillion dollar lending facilities and bank bailouts do not fit within the Fed's narrow mandate of "price stability and full employment". With unemployment soaring to 8.5 percent and increasing at a rate of 650,000 per month (with 15 percent under-employed) it is a wonder that Bernanke hasn't been fired already. There are also myriad problems with Bernanke's lending facilities which are nothing more than a crafty way of transferring wealth from the Fed to private industry via low interest loans. The Central Bank is not supposed to "pick winners" as it is blatantly doing through its market-distorting facilities. Businesses outside the financial sector cannot exchange their downgraded garbage with the Fed for semi-permanent, rotating loans; so why should underwater investment banks and hedge funds get special treatment? The facilities represent a gift to financial institutions giving them an unfair advantage in the marketplace.

“Besides the \$2 trillion for the Term Asset-Backed Lending Facility (TALF) and the Public-Private Investment Program (PPIP), the Fed will also provide a multi-billion dollar backstop for the FDIC as bank closures continue to snowball and more reserves are needed to shore up the system. That means that the Fed's balance sheet could mushroom to over \$4 trillion by the end of 2010. The Treasury has already agreed in principle to assume full responsibility for the Fed's lending facilities (as well as the bailouts of AIG and Bear Stearns) as soon as the financial system stabilizes. By providing loans and US Treasuries to failing companies, instead of capital, Bernanke has sidestepped Congress, thus, undermining the spirit and the letter of the law. Congress has approved a mere \$1.5 trillion of the nearly \$13 trillion for which taxpayers are now responsible.

“The recent 22 percent uptick in the stock market is a sign that Bernanke's monetary stimulus is beginning to kick in. Oil rose from \$33 per barrel to over \$50 in little more than a month. Other raw materials have followed oil. The dollar has plunged every time the stock market has gone up. These are all signs of nascent inflation which is likely to

accelerate after the current period of deleveraging ends. Food and energy prices will rise sharply and the dollar will come under greater and greater pressure. This is Bernanke's nightmare scenario; a surge in inflation that forces him to raise rates and kill the recovery before it ever begins. The Fed's unwillingness to be proactive in dealing with credit bubbles has created a situation where there are no easy answers or pain-free solutions.

“Bernanke's approach to the crisis has been wrongheaded from the get-go. It makes no sense to commit nearly \$13 trillion to prop up a grossly oversized financial system while providing less than \$900 billion stimulus for the real economy. The whole plan is upside-down. It's consumers, homeowners and workers that create demand (consumer spending is 72 percent of GDP) and yet, they've been left to twist in the wind while the bulk of the resources have been directed to financial speculators who are responsible for the mess. Middle class families have seen their retirements slashed in half and their home equity vanish, while their jobs become increasingly less secure. The Fed and the Treasury should be focused on debt relief, mortgage cram-downs, jobs programs and open-ended support for state and local governments. Rebuilding the financial infrastructure for extending more credit to people that are already underwater is beyond shortsighted; it's cruel. The financial system needs to shrink to fit the new reality of a smaller economy. That means that Bernanke should aggressively mark-down the dodgy collateral he's been accepting (the collateral should reflect current market prices) and force many of the weaker institutions into bankruptcy. This is the fairest and fastest way to shake the deadwood from the financial system. Keeping asset prices artificially inflated only puts off the inevitable day of reckoning.”

In addressing the IMF communiqué to the G20 in April 2009, Whitney continues,

"Globally, the dollar-denominated financial system has seen its equity market capitalization value fall by between 40-60% by February 2009....On October 31, 2007, the total market value of publicly-traded companies around the world was \$62.6 trillion. By December 31, 2008, the value had dropped nearly half to \$31.7 trillion. The gap of lost wealth, \$30.9 trillion, is approximately the combined annual Gross Domestic Product of the US, Western Europe, and Japan.... Family net worth hit a record high of \$64.36 trillion in 2nd quarter of 2007. By 4th quarter 2008, it fell to \$51.48 trillion, a loss of \$12.88 trillion.

“To restore the wealth lost in the current financial crisis, the Treasury would have to monetize some \$30 trillion of toxic assets, almost ten times what the Geithner Treasury is currently contemplating, and twice the size of current US annual GDP. Add to that about \$10 trillion of value lost in the collapse of commodity prices and another \$10 trillion in real property values, and we have a wealth loss of \$50 trillion.”

(Obama's Politics of Change and US Policy on China, asia Times, Henry Liu)

“Chairman Ben Bernanke said yesterday in Charlotte, North Carolina [April 6, 2009] that the Fed must retain the flexibility to withdraw its record cash injections to restrain prices. Vice Chairman Donald Kohn said in Wooster, Ohio, “the trick will be unwinding this balance sheet in a timely way to avoid inflation.”

“This is pure fiction. Bernanke has no exit strategy because the collateral the Fed now holds on its books will never regain anything near its original value. Securitization turned 80% of shaky subprime loans into AAA assets for which the Fed is now providing full value via its low interest loans. The Fed chief has made the same bad bet that the financial institutions made, and is now adding to that mistake by buying \$750 billion in junk loans from Fannie and Freddie and \$300 billion in US Treasuries to push investors out of the safety of cash back into the market. It's lunacy. All of this is putting more and more pressure on the dollar which could experience severe dislocation if Bernanke does not make a reasonable attempt to do what is necessary to resolve the banks, shore up consumer spending, shut down underwater financial institutions (auction their toxic assets through a RTC government-run facility) and stop trying to reassemble a broken system.

“Bernanke is in way over his head. He has no plan for expanding conventional lending or strengthening the parts of the system that still work. All his efforts have been focused on salvaging insolvent banks and restarting securitization. Securitization--transforming pools of loans into securities---was Wall Street's Golden Goose, a privately-owned credit-generating mechanism which created windfall profits by selling radioactive waste to over-trustful investors. Securitization is the epicenter of the shadow banking system, the mostly-unregulated universe of opaque debt-instruments, off balance sheet operations, and massively over-leveraged financial institutions. Securitization broke down after subprime mortgages began defaulting in record numbers sending risk-adverse investors scuttling for the exits. To illustrate how frozen the securitization market is at present, here's a blurb from the Wall Street Journal:

"Outside the market where the Fed is a buyer for securities backed by mortgage loans that conform to Fannie and Freddie standards, there hasn't been a new deal since 2007, according to FTN Financial, a fixed-income broker dealer." (Wall Street Journal, Credit Markets Still Navigate in a Choppy Sea of Liquidity)

“Securitization is dead, and yet, Bernanke and Geithner want to shovel another \$2 trillion into this black hole hoping to lure investors back to the market. Why? Because Wall Street financiers and bank mandarins see securitization as an efficient model that can be exported into any market around the world. The repackaging of debt into complex instruments, that can be stealthily created in off balance sheet operations requiring smaller and smaller slices of capital, is the essential flimflam product that Wall Street intends to use to dominate global financial markets. Keeping securitization alive is ultimately about power; pure, unalloyed economic power. That is why Bernanke will spare no expense trying to resuscitate this failed system.

“What's so destructive about securitization is that it allows the banks to create credit out of thin air through unregulated, clandestine operations, which eliminate transparency and makes it impossible for the Fed to control the money supply. David Roache explains how this works in an excerpt from his book "New Monetarism" which appeared in the Wall Street Journal:

"The reason for the exponential growth in credit, but not in broad money, was simply that banks didn't keep their loans on their books any more-and only loans on bank balance sheets get counted as money. Now, as soon as banks made a loan, they "securitized" it and moved it off their balance sheet.

"There were two ways of doing this. One was to sell the securitized loan as a bond. The other was "synthetic" securitization: for example, using derivatives to get rid of the default risk (with credit default swaps) and lock in the interest rate due on the loan (with interest-rate swaps). Both forms of securitization meant that the lending bank was free to make new loans without using up any of its lending capacity once its existing loans had been "securitized."

"So, to redefine liquidity under what I call New Monetarism, one must add, to the traditional definition of broad money, all the credit being created and moved off banks' balance sheets and onto the balance sheets of nonbank financial intermediaries. This new form of liquidity changed the very nature of the credit beast. What now determined credit growth was risk appetite: the readiness of companies and individuals to run their businesses with higher levels of debt. (Wall Street Journal)

"The banks have been creating trillions of dollars of credit without maintaining adequate capital reserves to back them up. That explains why the banks were so eager to provide mortgages to millions of loan applicants who had no documentation, no income, no collateral and a bad credit history. They believed there was no risk, because they were making enormous profits without tying up any of their capital."

Yet one of most urgent crises for citizens to realize is that America's entire economic life blood is now in private hands. As Whitney points out, even Obama agrees,

"As Barak Obama says, "Credit is the economy's life's-blood". It should not be part of a secretive process which is kept off-book and controlled by men whose solitary goal is fattening the bottom line for short-term gain. The reason securitization failed is because the banks put profit above their responsibility to perform due diligence on their loans. In other words, securitization created incentives for fraud, which is why the system eventually collapsed. Still, Bernanke is determined to do Wall Street's bidding and spend another \$2 trillion trying to rev up the securitization engine. A recent letter by the Federal Reserve Bank of Dallas, "Fed Confronts Financial Crisis by Expanding Its Role as Lender of Last Resort" helps to shed some light on the Fed's real intentions:

"In a modern financial system, securities-funded lending has replaced the banking system as the predominant credit source for households and nonfinancial firms. Because of this development, it can be appropriate to extend the lender of last resort role to temporarily support some nonbank credit sources."

While we watch the Fed, Treasury and FDIC injecting more and more public funds into Wall Street, the question remains whether or not the US will default again.

“Meanwhile--as Bernanke fiddles--the prospect of a US default grows more and more likely. Spreads on credit default swaps (CDS) have progressively widened with every new Fed program and every new multi-billion dollar bailout. Here's journalist Greg Ip in The Washington Post:

"In its battle against the financial crisis, the U.S. government has extended its full faith and credit to an ever-growing swath of the private sector... (But) Can the United States pay the money back?

“The most important is the coming surge in the federal debt. At the end of the last fiscal year, in September, the total public debt held by the American people stood at \$5.8 trillion, or 41 percent of gross domestic product -- about what the debt-to-GDP ratio has averaged since 1956. But the Congressional Budget Office projects deficits of \$1.9 trillion over the next two years. Add almost \$800 billion of stimulus spending, and U.S. debt soars to 60 percent of GDP by 2010 -- the highest level since the early 1950s, when the nation was working off its World War II and Korean War debts.

“The federal government has taken on massive "contingent liabilities" -- loans and guarantees that don't become actual costs until the borrower defaults and the federal guarantee has to be honored." (Greg Ip, We're Borrowing Like Mad. Can the U.S. Pay It Back? Washington Post)

“Keep in mind, the United States defaulted on its debt in 1933 when Roosevelt took office and pulled the country off the gold standard, thus, shrugging off the claims of foreign investors who were assured the US would honor its obligations in gold. The dollar plummeted. Bernanke's muddled strategy has the nation walking down that same path once again.”

Where Does the Average American Stand Today?

Prof. William Black, a former director of the Institute for Fraud Prevention, which uncovered the Keating Five scandal, and now a Professor of Economics at the University of Missouri, has conducted his own investigations into the causes of the banking crisis and the Administration's bailout plan being generated by Bernanke, Geithner, Ruben and Summers. Black believes the TARP, PPIP and TALF recovery plans are a massive fraud being perpetuated by the very same individuals who are not only responsible for the banking crisis, but had actually designed it with the intention that it fail. This is a far greater scandal than anything Bernie Madoff could have imagined with his Ponzi scheme. As early as September 2004, the FBI had warned of an epidemic of mortgage fraud. However, the FBI manpower to investigate fraud on Wall Street was greatly reduced during the Bush years and has been prevented from having the necessary resources to conduct proper investigations.

In short, during the past decade, every effort to try to regulate exotic derivatives was met with opposition by the members of Obama's current economic team along with Alan Greenspan. One of the more scandalous events was the attempt by a government regulator, Brooksley Born, Chairperson of the CFTC, who tried to rein in derivatives and credit default swaps under

regulatory conditions in 1998. Rubin, Summers and Greenspan managed to block all regulatory attempts. The CFTC is now headed by Gary Gensler, a former Goldman Sachs executive. In Black's opinion, Wall Street firms – and the notorious big five who account for most of the market's toxic assets, has now completely captured the government.

The average American consumer needs to seriously ask him or herself the question, "In whose interest is the White House's stimulus package?" If it is truly to benefit the consumer, then we must realize that returning the economy to high growth levels should not be the consumers' primary interest. The reason is quite simple. For the last 30 years we have had a debt based society. The masters of this debt, the banks and investment firms, were able to leverage a relatively small amount of capital, in exotic forms of CDOs such as derivatives and credit default swaps, many times over the actual value of their real assets. This capital was used to boost profits by means of real estate, home and business mortgages, that were based upon expanded credit, overly leveraged debt and these specious exotic instruments. At the bottom end, how many plasma screens, SUVs, fancy electronic appliances and devices, trips to Cancun can an individual actually purchase? This is compounded since people have been using the beneficial appreciation in their homes to keep this seeming growth machine rolling. For example, in Naples, Florida, people have seen in some neighborhoods up to 400 percent increase over a 10 year period in the appreciation of their property. When they go to a lending institution and say, "I bought it at 100,000 and now it is worth \$400,000. So I have \$400,000 of value and am going to borrow against it". Nobody would question that, but instead would go ahead and make the loan believing it would never deflate. The result has been that people who should have never been given loans, but were given liar loans, were people who clearly did not have the income to support mortgage and interest payments. In addition, there were a large amount of speculators. People were simply not sophisticated enough to realize they were in a bubble and consequently all participated in this grand scheme.

Neither should we imagine nor fool ourselves that America is totally immune from what we are now witnessing all across Eastern and Western Europe. The recent demonstrations and violent attacks on the Bank of Scotland and other banking firms during the G20 meeting in London may be a preview to come. Even larger demonstrations are erupting in developing countries where economic and living conditions and food access are very dire. It is only a matter of time when tremors of civil unrest befall the US, where economic inequality, poor healthcare, a corporate owned government passing bills to support private industry and financial institution interests is worse than in Western continental Europe.

Rather than providing a constructive, proactive stimulus that addresses the needs of average citizens—which can realistically dispel the likelihood of civil unrest in the US—the Obama administration, as with its Republican predecessor, appears, first, only concerned with assuring itself that there are enough troops on American soil to quell civil disobedience in order to pacify dissent and sustain the current status quo, even amidst peaceful protests. Second, it is designed to preserve a broken financial system that has proven the argument that a private, self-regulatory banking and investment policy simply cannot work. Neither can we spend our way out of a recession. Yet, the Administration's proposal wishes to keep the insolvent system intact instead of enter the debate whether a complete overhaul of our federal and private financial structures

might not be more healthy, sustainable and far-less risky for future repeat performances of the AIG and banking scandals.

The stimulus package I am proposing will help address these and several other key issues. It is not intended to address a short-term quick fix. Instead, it is far-reaching. It will help rebuild and reform America so that she can sustain future generations.

It is surprising that some members of our corporate media refuse, with few exceptions, to invite the leading economists, futurists, social planners, environmentalists, alternative agriculturalists and progressive visionaries to discuss alternative models, which are contrary to the corporatocracy's vested interests. Instead, we repeatedly see the usual suspects from prior administrations—the Reagan, Clinton and Bush presidencies—who have a proven record of making disastrous decisions. For example: Holbrooke's dealings with Indonesia and East Timor; Clinton's failed economic gurus, Rubin, Summers and Geithner, who have contributed to the current deregulation behind this recession; retaining the Bush appointments of the hawkish Gates at the Department of Defense, Gen. Petraeus as chief commander and Bernanke at the Fed. Everyone on Obama's financial team is either a master or servant to Wall Street, the venture capital and the insurance industry, and many also have close ties with the military defense complex and the pharmaceutical oligarchy. One definition of insanity is using the same methods repeatedly but expecting a different outcome.

Before outlining a viable, sustainable, economic stimulus proposal, I want to state that although I support the authentic change Obama put forth during his campaign, the selection of his Cabinet members do not bode well for the changes we were promised and so desperately need. The Administration's recommendations going before Congress and mirrored by our anti-intellectual media preserve the thinking of a bygone age when the global economy has now well moved beyond the cherished beliefs of Wall Street's free-market capitalist agenda. One can only wonder why the truly innovative, visionary leaders of the twenty-first century are completely absent from the current policy-making forums strategizing for America's future well-being and prosperity. Repeatedly, Obama promised new leaders in his Administration rather than the old tired faces on the Beltway. This is not a good way to start, but Obama does have a chance to reclaim the moral high ground. There is not a single true progressive amongst those directly advising him. Prestigious individuals, such as Lester Brown, Joseph Stiglitz, Nouriel Roubini, James Galbraith, Dean Baker, Brent Blackwelder, James Speth, Paul Krugman, Sheldon Wolin and hundreds of others, are non-existent in the strategic planning process now being undertaken in his administration.

A prevailing myth we have heard from Henry Paulson, and again from Treasury Secretary Tim Geithner, is that the major banks are "too big to fail." If an institution or corporation is too large to collapse, then there is sound reason for it to fail or break up into smaller, manageable pieces to lessen more volatile risks instead of giving billions for them to survive while putting all of society at greater risk. What we have seen so far from the government's financial team is an enabling of banks and insurance firms to merge, buy up their rivals, and prepare the field to be even larger, more dangerous, and potentially more insolvent.

Behind all of this was Alan Greenspan, Lawrence Summers, Robert Rubin, Phil Gramm, Bernanke and Paulson, and all the heads of the major banking institutions were fully aware there was a housing bubble. Similarly, they were equally aware of the earlier hi-tech and [dot.com](#) bubble. They clearly knew that the average American had a negative 1 percent savings, was heavily in debt, and in the event of the loss of a job would fall immediately into a cash crisis.

Historically, Wall Street has never put any energy behind the 100 million poor, the 37 million hungry Americans, the 12.5 million hungry children in the US. Believing Wall Street's claims that they intend to raise Americans into the middle class and support them is derisory. Never have they exerted their lobbying power in Washington to help middle class Americans whose disposable income from wages has never increased to keep pace with inflation and rising living expenses. To fully understand the true motivations of Wall Street, observe what their henchmen and executives lobby for in Congress and the White House. There are tens of thousands of lobbyists in Washington, and those peddling Wall Street interests have vast financial resources to support them for purchasing access and allegiance to legislators. In effect, Wall Street writes the government bills that protects its interests. And it has worked. Although the Constitution only permits three branches of government, today there is a fourth branch, the Multinational Corporate Branch, which includes Wall Street, the military industrial complex, the agricultural and pharmaceutical industries, and the mega-multimedia and telecommunication oligarchies.

For the past couple decades, and with increasing influence, Wall Street has been the carrier of the carrot encouraging the average citizen to freely enter debt. Alan Greenspan provided the perfect vehicle for this by lowering home interest rates. This provided hedge funds to bet on receiving \$40 and more of investment capital for every dollar of collateral in the hedge fund. Wall Street financial institutions provided the equity buyout kings with massive bridge loans making it easier for corporate raiders to buy up any company in the world. In fact the historical irony was that the more efficiently managed and more solvent the company, the more vulnerable it was to be taken over in an equity buyout.

A brief summary of the salient criticisms towards the most recent stimulus package by leading, progressive economists will help put this plan into greater perspective. Since an astronomical amount will go towards funding the private financial institutions, it is worthwhile to briefly look at what other economic voices are saying, who have been excluded from our government's financial handling of the economic meltdown.

Prof. Joseph Stiglitz, former chief economist at the IMF and a Nobel laureate in economics, is adamant that a viable and effective stimulus package should target strategic investments that will have a long-term impact by creating real assets rather than targeting rapid renewal of consumption. He believes the current strategy of Obama's economic team is flawed and a "fundamental rethinking" is necessary. Realistic investments for financial recovery need to focus on "human capital, infrastructure and new technologies" rather than emphasizing enormous bailouts of private banks and non-financial firms such as insurance companies like AIG. Stiglitz calls this economic strategy a recipe for "moral hazard". "Banks know that if they gamble and win, they walk off with the proceeds," Stiglitz writes, "if they lose, the taxpayer picks up the tab." As we saw with the first TARP bailout, credit flow and loans did not increase. Neither will they

increase and stabilize with the PPIP and TALF plans being pushed forward by the Treasury. The financial institutions receiving the bailout funds were already failed entities and this money could have been better spent in numerous ways: such as securing social security for many years to come, investing in alternative energies and stable institutions that are more likely to succeed in the future, or even to create a new institutional banking model.

Although the word “nationalization” as a term to define a more constructive restructuring of our major banks has been anathema on Wall Street and in Washington, Prof. Stiglitz is on record saying the reality of the banking system’s debt requires this route regardless of a bank’s size. He also supports another strategy that is shared in this progressive proposal; that is, bankruptcy can be a swift, easy and a constructive means to return the banks to solvency. If a smaller bank does not have sufficient capital to meet its monetary commitments to depositors, they are frequently “nationalized” temporarily by the FDIC until their balances are again solvent. The same should be no different for the larger banks receiving the majority of the bank bailout monies, such as Bank of America, Citigroup, HSBC and JP Morgan. Stiglitz also praises the policy the UK implemented by replacing the heads of their major banking institutions, which should be across the board with each of the US’s largest, most insolvent banks instead of rewarding executives with huge bonuses.

Stiglitz observes that the “Treasury hopes to get us out of the mess by replicating the flawed system that the private sector used to bring the world crashing down. His analysis of the PPIP, which is suppose to be a “partnership” between the private financial sector and taxpayers, is far worse than nationalization. Although complicated, this is what the partnership provides. It is a little bit based on a bidding or auction scheme. Lets assume a toxic asset is worth \$100. Our taxpayer dollars would give \$92 to a bank or private investor to buy that asset but if any gains are made, the investor is only required to return 50% of that gain. If the asset fails, then the public is out of \$92 and the investor loses \$8. However, what if there is a higher bidder who will purchase the asset for \$150, 50% above its marked value. Now the investor has to pay \$12, but the other \$138 comes from the taxpayer. The entire problem with this scheme, according to Stiglitz, is that it confuses the actual value of the asset. Its actual, current value might be zero, but the bank can claim its original value or estimated growth value before the burst of the bubble.

Prof. Paul K rugman, the 2008 Nobel Laureate of Economics, has been a sharp critic of both the Bernanke-Paulson TARP and the present Geithner-Obama PPIP and TALF plans to dump more taxpayer money into our failed banking institutions and recovering their toxic assets. For Krugman, the major banks such as Bank of America, Citigroup and JP Morgan are zombies, which means that the amount of capital required for them to return to life far exceeds the actual value of the banks themselves. Therefore, Krugman is another advocate for government nationalization of these institutions. The complete failure of these banks would likely destroy the world financial system and therefore Krugman believes they must be saved. On the other hand, the government cannot afford to do so while the banks remain operative as private institutions that rely upon a steady stream of taxpayer gifts to survive. I share many of Krugman’s criticism but most important the current stimulus plan is not large enough to generate sustainable job growth. Krugman believes the White House’s forecast to create 3.5 million jobs during the next two years is delusional since most of the money is still targeted towards the

financial institutions rather than the vital sectors in American society where jobs are actually created. Moreover, there has been no slow down in job loss (20,000 per day) and home foreclosures (10,000 per day).

Prof. Nouriel Roubini was originally an obscure economical genius at New York University who accurately predicted the burst of the financial bubble in extraordinary detail a couple years ago. Since then, he has become a financial celebrity because of his accurate predictions during the past six months. Roubini believes nationalization (he considers the term “receivership” as a viable alternative) of the banks is the only option to limit the “death spiral” of our financial system. This would wipe out equity holders and long-term debt holders would need to wait on their claims. However, as with all other economists advocating bankruptcy and/or nationalization, government ownership is temporary and once solvent the banks would return to the private sector. The banks are now so insolvent that further taxpayer spending to build up these banks’ investment capitals and cover creditor debt might be endless. Furthermore, it still remains to be seen just how bad these banks’ portfolios really are because of their reluctance to be open and transparent with their investment portfolio figures. Given the inevitability of further losses in the financial institutions’ market value, Roubini estimates that the total loss of the US financial system will be in the neighborhood of \$7 trillion. Geithner himself during a speech in June 2008 well before Obama becoming president stated bad assets amounted to \$6 trillion. Others estimate it higher, upwards towards \$10 trillion. Geithner’s current proposal to “stress test” banks, therefore, is only viable with the belief that these banks are solvent, and Roubini is convinced they aren’t.

Prof. James Galbraith, a distinguished professor of economics at the University of Texas, agrees that the present economic meltdown has the potential of being every bit as bad, perhaps worse, than the Great Crash of 1929. Since the economic model of monetary policy being relied upon by the White House’s economic team of Geithner, Summers and Rubin were unable to predict the current crisis, how are these same individuals able to find the expedient solutions to stimulate a recovery? The bank bailout is a continuation of this same failed economic policy and Galbraith is certain it has very little power to stimulate growth. As he stated before the House Financial Services Committee, “stuffing the banks with money will not change their behavior... the Treasury plan, if put in place as described, would have a perverse effect on the distribution of wealth... and meanwhile risks both triggering inflation and obstructing growth.” Galbraith’s solution is to move towards the creation of a publicly run banking model that can be solvent and start immediately to supply loans to individuals and businesses. He shares my proposal for a moratorium on new housing foreclosures and greater investment in building infrastructure, renewable energies and direct investment into the public to generate more jobs.

Furthermore, Galbraith’s fundamental concern with the Geithner plan is that it will open up for further looting, fraud and new manners of speculation in highly volatile commodity markets. This was recently emphasized by economist Peyton Young at Oxford University and the Brookings Institute, whose analysis has uncovered five major loopholes in the plan for hedge funds and investment banks to exploit Treasury’s toxic assets plan.

Dr. Dean Baker is an economist and co-director of the Center for Economic Policy and Research in Washington DC. Baker frequently appears in progressive investigative reports as a leading economic voice who the White House should be consulting. He has proposed the most progressive, and perhaps most ethically sound, strategy for dealing with the financial industry while protecting taxpayers' investments in an economic recovery plan. Baker shares the steps being taken by Stiglitz, Krugman and Roubini that the banks should be nationalized, and even bankruptcy should not be dismissed as a potential necessity. According to Baker, the stimulus package is too small to offset the severity of the economic decline, which he sees continuing for years to come. Baker is more convinced that making way for easy bankruptcy of major banks may be the best scenario. He states, "The basic point is the banks are insolvent. They're bankrupt.... The obvious thing to do would be to take them over like we did with banks in the savings-and-loan crisis, reorganize them, and sell them to the private sector."

Obama's economic team remains entrenched in Wall Street interests and therefore discussion about the solutions summarized above, especially strategies favoring bankruptcy and nationalization, have been kept away from the board room.

Although America, as well as all nations in the international community, is in a critical economic meltdown, there are many progressive economists and social theorists who perceive the events unfolding as an opportunity for people to return to more sustainable qualitative values for living free and healthy lives instead of remaining enslaved to consuming quantity. The earlier belief that a true democracy for a population is compatible with unregulated free market capitalism is collapsing. In fact, the neoliberal economic agenda is being observed by many as an aggressive enemy of a true democracy. We have now passed the era of uncontrolled consumption and are now entering an era of reevaluation. Whether we are happy or not with the quality of our lives is what ultimately matters. Throughout the monetary boom years of American imperial hegemony after the Cold War, the meaning of life has been reduced to economics and upward mobility in class status. It has been based on the illusion that owning more and more stuff is the path to happiness.

The problems are not simply the insolvency of banks or just a problem of liquidity. It is also a problem of over consumption. We have too much of everything. The belief that endless consumption, that blind faith in ever-increasing home and property values as a means to acquire huge equity loans, were based on assumptions that growth would never cease. No one stopped to consider that it just might all come to an end eventually. Unlike a developing country just arriving at the table of globalization, it did so by learning monetary frugality and becoming fiscally responsible. But American society has everything a human being could possibly want and has shown zero prudence. This is in sharp contrast to the way Americans made it through the Great Depression of the 30s before credit cards and when having savings to make it through hard times was a virtue.

I do not want Obama to fail. I want him to succeed. Therefore, I am hopeful someone near to Obama will actually read the following suggestions and decide that one or more are responsible and doable and should be seriously considered and vetted for implementation. Otherwise, as I

correctly warned about the impending failure of the first stimulus package, the current package will fare no better.

1. By executive order, the Obama administration should place a ban and nullify all derivatives and credit default swaps. As shown above, there is nearly a \$179 trillion downside debt among the top four banks alone, and total debt reaches several hundred trillion more when all other banks and financial institutions are tallied. Pumping additional billions of dollars into failing banks will not work because their massive debts are now insolvent.
2. The 1933 Glass-Steagall Act needs to be modified to address the current global economic reality and reinstated in order to place controls over wild speculation, re-regulation of interest rates, and to set a clear division between speculative investment firms from conventional savings and loan banks.
3. The government should assist insolvent banks, including the large banks such as Bank of America, Citicorp, HSBC and JP Morgan, which are now recognized as zombie banks, as well as the auto industry, through easy bankruptcy in order to clear bad debt off the books. Although shareholder and equity investors, and executives, would be wiped out, this is a necessary maneuver to restore whatever assets these institutions have remaining. Bad debts should be sold to private investors, if they can be found. The banks themselves should be restored to their original savings and loan mission as before the removal of the Glass-Steagall Act. Banks should be allowed to reorganize management and return to the marketplace with new mandates. If this fails; banks and the auto industry should be nationalized to eliminate all debt. All new management should be put in place with an independent board of supervisors to monitor the corporation's direction for three years.
4. There is the need for a Presidential executive order banning speculative trading in those commodities that are essential for the sustainability of human life, such as water, gas, oil and food.
5. Enact an executive order to halt all speculative investment in currencies. In addition, a 60-percent tax should be placed upon hedge funds and equity partnerships. All hedge funds and equity partnerships should be restricted to a 3 to 1 borrowing ratio. This will substantially prevent the massive speculation that has occurred during the past 15 years.
6. Put a complete halt to naked short selling which is nothing more than counterfeiting shares that were never borrowed in the first place.
7. Discontinue all short selling because this is nothing more than gambling whereby an investor is betting negatively against the economy for profit. A case has been made by a noted social activist for fifty years, Stephen Brown, that short selling should continue but be taxed or have a mandatory surcharge applied towards it. I respectively differ. In an ideal society, continuation of short selling might be a good idea. However, corporate lobbyists, hedge fund and equity dealers have been notorious in finding loopholes around such legislative taxing and surcharges. Therefore, the high speculative risk of short selling remains and nothing fundamental changes.
8. Qualified borrowers, with proper due diligence and 20% down payment and proper collateral, should be able to receive loans without being rejected. No one should need to borrow from a bank or financial institution at more than a 3 to 1 ratio.
9. Mandate landlords to reduce rent on all businesses earning less than \$5 million per year in gross sales. For example, the average rent in New York City is 100 percent above its realistic

rental value. A mandated reduction in business rentals would prevent many businesses from failing and would save jobs.

10. Implement an executive moratorium on all home foreclosures and auto repossessions in order to allow the market to return to a realistic deflated market value. This would permit more people to remain in their homes while benefiting qualified home buyers to afford a new home. Lending institutions would renegotiate with home owners a payment schedule that the owners can meet.

11. By executive decree, all reset mortgages, which lure people into ALT home loans now estimated at \$200 billion, would cease. The very banks that made all the wrong choices in high risk speculative investment are now receiving money at zero to one percent interest. This in turn further threatens millions of Americans with losing their homes. If the President freezes all of these lower interest rates for five years, people can continue to pay their mortgages and live in their homes without having them repossessed.

12. Banks and credit card corporations should be provided with at least a 100 percent profit margin between what they borrow from the Federal Reserve and what these financial institutions charge consumers. For example, right now, qualified banks borrow at 0.25 percent. A new cap would prevent them from charging more than 2.0 percent to borrowers. The same would hold true for credit lending firms.

13. Across the board, the government should require all lending institutions to forgive credit card, mortgage and auto loan late interest payments. This would include forgiving interest on student loans. At current estimates, the nation faces a default of \$950 billion in personal consumer debt (estimated around \$17,000 per citizen). Forgiveness in overarching, predatory late interest payments would relieve the financial burden in cost of living and increase family savings.

14. The student loan program needs to be de-privatized and returned to government cost-only loans to finance students' education. Predatory profit-making of interest on students completing college in a dramatic economic downturn has only succeeded in furthering debt load by young adults seeking jobs.

15. Increase unemployment insurance by one additional year. All financial indicators point to a further rise in bankruptcies, layoffs and growing joblessness during the next year and half and probably more. Regenerating substantial job growth to offset job loss is still a ways down the road and many citizens will remain unemployed for long periods of time before any true recovery can be announced.

16. Repeal Bush's 2005 bankruptcy bill that enslaved citizens and virtually overturned the Constitution's original rationale for bankruptcy to restore Americans to a life of normalcy. This bill was pushed through the Bush Administration and Congress by the aggressive lobbying efforts of the banking, credit and insurance companies.

17. The Administration should make every effort to protect retirement investment, including social security and 401K and other retirement plans, by guaranteeing citizens retirement savings in insured money markets. No private investment firm should be allowed to make risky, speculative investments with citizens' retirement savings.

18. Implement an aggressive measure to shorten the inequality earnings gap between the nation's superrich (now at 1 percent of population owning 20 percent of GDP) and the average citizen (one in three workers earned less than \$15,000 in 2007) to approximately forty percent.

This would include regulation on taxation of corporate stocks purchased by corporate executives and a regulation against short trading and sales in the stocks received from their corporations.

19. Put a halt on tax breaks given to utility corporations who charge taxes to their service customers. For example, citizens are charged a variety of taxes on their monthly utility bills; however, rarely does the utility company pay these over to the government. Xcel Energy, which provides electricity to eight states, collected \$723 million in taxes from customers but will likely turn none of that over to government due to corporate tax breaks. This tax policy should be immediately halted and higher legal statutes placed on corporations to turn over customer utility taxes directly to the government.

20. Support and pass The Employee Free Choice Act to restore fairness in labor relations between workers and upper management by permitting workers with the right to organize when they wish to do so. The corporate oligarchy's argument against organized labor has been that it financially burdens corporations and brings them closer to closure. This has been shown to be an unsubstantiated myth. A large multi-survey conducted at the University of Michigan has shown "zero correlation" between a company's being unionized and the likelihood of a company failing.

21. The President should institute a reduction of all redundancies in inefficient bureaucracies at all levels of government with due diligence. The current Department of Defense budget is costing tax payers over \$1 trillion annually. This needs to be slashed in half by removing obsolete pork. Many defense programs will be obsolete before their completion. Currently, the DoD controls and funds 737 bases in 130 countries; these are manned by over 1.5 million military personnel, including those in the Middle East arena. Aside from the overseas bases, there are approximately 6,000 military bases on American soil and in the US territories. Together, the military owns and/or rents over \$600 billion in real estate. Half of these bases can be terminated with substantial savings to taxpayers. They are no longer needed and serve no legitimate humanitarian or democratic purpose other than giving a *raison d'être* for furthering a corrupt, aggressive infrastructure that serves only private corporate entitlement programs. Closure of half the military bases would save a minimum of \$100 billion per year, and an additional \$200 billion would be saved by cutting off funding from ineffective bureaucracies and defense pork.

23. The government needs to immediately implement the groundwork for a universal health care plan. In 2006, healthcare cost Americans \$2.1 trillion (\$7,000 per citizen), the highest healthcare rate spending in the world. Yet the US now holds a place at the bottom of the developed nations for its quality of medical care, especially for children. The health insurance industry is utterly incorrigible and corrupt by charging insurers several billion dollars total with padded private profits for coverage fees and drug and medical service costs. The health insurance industry should be forced out of business for the benefit of our nation's physical and mental health. This would save between 20 and 30 percent of all our nation's healthcare costs and would easily pay for the demise of the private health insurance industry. It would also be a substantial savings for both employers and employees with disposal incomes.

24. I propose an alternative model. Moving towards a single payer universal healthcare plan can be done incrementally by starting with a Single Payer system for those 50 plus million households earning less than \$100,000. In later phases, employer plans can be absorbed into this model with a gradual increase in the household income range that would bring more families into a universal system.

25. Alternatively is a co-sharing model between employer and employee. Let us assume the average American earns \$40,000 per year. The single payer premium for health insurance on their income would be approximately \$6,500 annually. Depending upon whether coverage is paid fully by the person or co-paid by the employer, insurance represents between 10-15% of total income. We are suggesting a shared model with employee paying 5% and the employer paying 5%, or 10% total. This goes immediately into a universal healthcare plan. This would be scaled whereby wealthier families would be paying more and the people at the bottom of the income bracket would be paying less; nevertheless, everyone would have access to universal health insurance. Any additional amounts not covered could be paid by savings generated from government programs from overpayments. Therefore, this is not a socialist welfare program being doled out for the needy but rather a truly universal healthcare model.

26. The entire federal health agency system requires dramatic restructuring and a return to real science instead of patronizing the manipulated pseudo-science sponsored by corporate medical interests and associations that only support the economic agendas of pharmaceutical claims. Current statistics indicate there are over 790,000 annual deaths due to iatrogenic causes (e.g., adverse drug reactions, hospital and physician medical error, hospital infections and malnutrition, surgical procedures, etc). The cost of erroneous medical interventions is \$282 billion. Furthermore, pharmaceutical drug overpricing and health insurance fraud adds an additional \$400 billion burden to Medicare and Medicaid costs. These should be clear indications that the present healthcare model is increasingly draining our society and needs to be overhauled.

27. Pass legislation that would immediately enforce the least expensive Medicare and Medicaid drugs to be made available with proper regulatory oversight. This would have a savings of \$100 billion per year.

28. A sustainable reform of healthcare policy requires an expansion of funding for prevention, rather than our current over-reliance upon the pharmacological medical model solely based on diagnosed illnesses and drug and surgical treatments. The nation's current healthcare is primarily therapeutic and pharmacologically burdened. It has been repeatedly shown to increase medical costs for treating severe drug induced adverse side effects.

29. The Surgeon General, the Department of Health and Human Services (HHS), and the Centers for Disease Control should launch a national prevention program that presents examples of the scientifically proven benefits of living a healthy lifestyle, which includes nutrition, dietary supplementation, exercise, health education and behavioral and lifestyle changes, which have been clearly proven effective and cost-saving by current independent science. After a period of five years, such a program could save government health spending upwards to \$1 trillion per year.

30. Medicare and Medicaid programs need to be expanded to include more cost effective preventative and therapeutic treatments in over-the-counter natural products: vitamins, supplements, herbs, alternative therapeutic treatments, etc. Since the start of the current recession there has already been an eight percent increase in retail purchases of natural products. These dietary supplements represent a fraction of the cost of prescription drugs, many which have been proven to be effective for a large variety of health conditions and diseases. In addition, because natural products do not carry the high risk of adverse effects, aside from a few rare exceptions, they should be included in health insurance coverage.

31. Support for biofuel technologies, including the use of land for cultivating fuel crops, should be substantially diminished. First, biofuels hold very little value in moving towards a viable green energy policy; biofuels are still polluting and require large amounts of fossil fuel and essential water resources in their production. Second, biofuels are not economically viable energy alternatives. They result in a massive disruption of food production at a time when Americans are already feeling the effects of food shortages and high consumer costs.

32. The Department of Agriculture needs to move quickly forward with the development and implementation of a new food management system that is sustainable. Such a system should focus on sustainable management of our current misuse of soil and water resources. Such a system would include a gradual shift to an organic farming model in order to increase grains and legume cultivation for American consumption and for export to other nations.

33. There should be a national moratorium to boycott genetically modified crops and livestock, which is known to destroy top soil and rain forests, seriously threatens the planet's biodiversity, and have yet to be proven medically safe for human consumption.

34. Institute a Marshall plan for a high tech transportation system connecting major cities with a rail system similar to the high speed energy-efficient trains mastered by the Japanese. Our Amtrak system is ineffective and no longer meets our transportation needs. Such a rail system would reduce air travel and the high costs associated with air travel and the maintenance of airport infrastructures. Such a Marshall plan would also mandate incentives for more people to use public transportation.

35. So far, this stimulus plan has been confined with the domestic economy. However, globalization of the world's financial systems has made America's financial collapse a global crisis as well. At this moment, many major nations around the world are calling for the removal of the US dollar as the standard mono-currency for investment and trade and are quickly proposing the global financial system be based on a multi-currency model. Although the removal of the dollar's hegemonic status in world exchange and trade will have an immediate negative impact upon America's banking system, it is critical that the dollar's illusory status of global strength be reduced and shared with other currencies for long-term currency sustainability. It also has huge ramifications of international diplomacy with both friends and foes at a time when foreign perceptions about the US are at an all time low. Therefore, the US should enter negotiations with the members of the G20 nations to move forward on a diversified model of global finance and commerce.

36. Approximately two thirds of all treasury holdings are held by foreign nations, amounting to over \$2 trillion of which almost half is owned by China alone. This is money not spent on America's shores. It does not circulate through the America's domestic economy. Since all of our banking and investment institutions are international players in the world economy, there is a need to for the creation of a Council of Citizen Economists, a network of independent, progressive economists, who would have complete access to records of the Federal Reserve and the Treasury, and all their transactions, to provide oversight that these institution's financial activities are not opposed to the American public's economic well being.

The above proposals focus on ways to reduce the debt and increase savings. Next, a comprehensive stimulus policy needs to also bring people back into the workforce by investing in those areas where there will be long term asset generation that will ultimately make those investments sustainable..

1. It is estimated that 80,000 businesses will go bankrupt during the next year. A stimulus package should be launched that would provide two percent interest loans to small businesses if qualifying businesses agree to hire five new employees.
2. Institute a low income micro-credit loan program in our inner city neighborhoods. Such loans, however, would be co-sponsored by corporations that would receive a 2 to 1 tax write off for each business they sponsor. A similar tax incentive would apply to corporations sponsoring basic skills and technological training to impoverished inner city neighborhoods.
3. Obama's forecasts of generating over 3 million jobs during the early years of his administration are now out of sight. While investing in employment to rebuild the nation's infrastructure are essential, the construction sector is only a partial segment of job lost. With more retail businesses going bankrupt and a decline in other low-paying service jobs, a job stimulus package needs to also assist in those without a high-level skills and education. The government urgently needs to become more responsive towards the long term investment gained by supporting vocational education at state and city colleges. This includes reforming some of the older models of education from several decades back that were not based upon standardized testing. The entire basis of standardized testing is fraudulent and skewed towards favoring those who have the ability and wherewithal to pass the exams.
4. States and individual cities should donate free abandoned buildings for rehabilitation under the auspices of a new inner city conservation corps, with the proviso that the individuals employed are required to live in that city for three years. Such a program, at a national level, could generate upwards to 3 million new jobs. The greater metropolitan New York City area, for example, has approximately 60,000 abandoned buildings. These can also be corporate sponsored for the sole purpose of being developed into schools, residences, community centers, etc. They would be registered as Trusts in order to prevent sole personal ownership. In the case of buildings converted into low income housing, residents would be charged no more than 15 percent of their disposal income thereby providing low income families with good housing.
5. A corporate sponsorship project to employ men and women to transform inner city areas into parks for sustainable habitat would not only add jobs but also improve the quality of life for many city residents. These neighborhoods would be regulated to prevent outside gentrification, which has historically been shown to contribute to the decay of neighborhoods.
6. A coalition of the states' governors estimates that between \$1.6 and \$2.3 trillion over the next five years will be necessary to rebuild physical infrastructures throughout the nation: bridge and highway improvement, upgraded water and gas lines, etc. Such a project would be a long term investment to improve Americans' health and safety, in addition to saving energy.
7. Employ an environmental clean up work force to tackle the ecological and health problems of designated superfund sites and other high risk toxic areas. For example, such an environmental work force could clean up the pollution of coal mine scalping now devastating many parts of West Virginia and Kentucky.
8. Launch an aggressive reforestation system with the goal to plant 1 billion trees over a 5 year period. In addition, funds should be put into land and water conservation in order to reclaim the land from further development.
9. Turn land back to state governments as a farm land trust. Citizens who qualify would be given an opportunity to organically farm on land starting at 100 acres. Farmers in the program would not be permitted to sell the land since it remains in a trust. However, they would keep 80% of the

income earned from the land and would be entitled to 2% loans for further land and farming development. The other remaining 20% of farm produce would be sent to state agencies for redistribution to local food banks. The advantage of this model is that it is self-sustaining and would help to resupply diminishing food stocks. Other advantages include:

- It provides every community in the US with food to fulfill their needs
- An organic farming program would greatly reduce healthcare costs by providing non-toxic produce and would be environmentally friendly to sustain the soil over the long-term.
- It would break up mono-crop agriculture which is devastating America's farmland
- It promotes individual profiteering because the land cannot be sold.
- It renews the role of American farmers and protects them from losing their occupation
- By focusing on local distribution of food, the carbon footprint is reduced.

10. Creation of a National Farmers Bank which would promote loans for sustainable agriculture and protect American farmers' assets. Farmers would be permitted to take 2% loans for further agricultural development. Other financial incentive programs would include a forgiveness of all interest on farmers' existing mortgages. By supporting the small farmer, the government can save \$300 billion in pork given to the large agro-industry.

11. Generate incentives for the growth of small communities around farming regions for people who wish to live away from the cities. Adopting a model similar to Israel's kibbutzim would increase land sustainability and help move farms towards sustainable organic models.