The Bailout & the Average American

No literate American is unaware of the drastic measures recently taken — with more on the way — to shore up various Wall Street firms that should be allowed to disappear. Bear Stearns was bailed out at the last minute with $29 billion. The takeover of worthless mortgages held by California's IndyMac Bank will cost $8.9 billion. Fannie Mae and Freddie Mac, both government-sponsored enterprises, will receive an estimated $200 billion to cover mortgages that never should have been created. Insurance giant AIG got an $85 billion rescue package. Newsletter author Joel Skousen reports that the Federal Reserve ponied up $110 billion for European banks, $60 billion for the Bank of Japan, and $10 billion for the Bank of Canada. And now Treasury Secretary Paulson and Fed Chairman Bernanke want Congress to create a $700 billion slush fund to save more failing institutions.

What's of major importance is almost always ignored. It is: where does this money come from? The answer is that the government will add to its enormous debt, already at $9.6 trillion without even counting huge unfunded obligations into the future. Yet the already-existing debt burden has become a major drag on the economy, and adding to the debt will only make matters worse. The real victim in this gigantic departure from free enterprise is the hard-working, tax-paying, inflation-suffering American.

Consider that only two months ago, White House Budget Director Jim Nussle projected a record-setting $482 billion deficit for Fiscal 2009 (it begins October 1, 2008). That projection doesn't include the costs for military operations in Iraq and Afghanistan. The debt for Fiscal 2008 (ending September 30) will certainly top the projection announced by Nussle.

Where does the federal government get the money beyond what it already takes from us? It either borrows it (much of it from China) or turns to its partner, the Federal Reserve, to print it. Freshly printed dollars cut into the value of all dollars — which means that all Americans will bear the brunt of this burden at supermarkets and gas stations, and with less-valuable paychecks and diminished worth of insurance policies, retirement funds, etc.

As for the Federal Reserve, it's nice to know that some Americans are awakening to the fact that the Fed is not their friend.

Our nation once had gold-backed U.S. Treasury notes (until 1933), and they were known worldwide as "good as gold." President Franklin Roosevelt stopped that, even outlawing the possession of gold for the U.S. population. We then had U.S. Treasury notes backed by silver. President Lyndon Johnson oversaw the end of that, and then President Nixon severed the last remaining tie to gold. We now have Federal Reserve Notes backed by nothing, and their worth is established by the privately owned and run Federal Reserve that continues to create them out of thin air. The U.S. dollar has lost 95 percent of its value since the 1940s. While the American people were dropping their guard, the value of their money was slowly disappearing. It used to be true that a penny saved was a penny earned. Now, a penny saved is a penny lost. But there were warnings.

In 1941, Fed Chairman Mariner Eccles told a House Committee that the Fed had "created" billions to get the nation out of the Great Depression.

In 1968, House Banking Committee Chairman Wright Patman tried to tell the nation: "In the United States today, we have in effect two governments.... We have the duly constituted government.... Then we have an independent, uncontrolled and uncoordinated government in the Federal Reserve."

In January 1993, a *National Geographic* article quoted a Fed official as he matter-of-factly noted that his employer had just "created" $100 million to purchase Treasury bonds. He added: "It’s money that didn’t exist before."

With its ability to manufacture currency, the Fed can indeed purchase U.S. Treasury bonds and earn interest on them. It can then use its vast holdings to prop up whatever it wishes, or create new money to do the job. The losers are the American people. New York University Professor Nouriel Roubini tartly summarized that the current bailouts amount to "privatizing the gains and profits … for Wall Street and the rich" while placing the burden on the people.

Looking ahead, the current economic meltdown won’t result in much-needed termination of deficit spending and money creation. Congress created the Federal Reserve, which means that Congress can abolish it. And Congress can also abolish unconstitutional agencies, stop enormous deficits, and reverse the nation’s plunge into socialism. As for failing institutions, they should be allowed to fail or there will surely be more of them.

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