

<http://larouchepac.com/news/2008/07/01/larouche-proposes-emergency-stop-gap-measuresto-prevent-fina.html>

July 1, 2008 (LPAC)--Lyndon LaRouche today proposed emergency action by the U.S. Federal Reserve Bank, to prevent social chaos, in the face of looming collapses of some leading U.S. commercial banks and other financial institutions.

LaRouche presented two emergency measures, aimed as stop-gaps, to prevent chaos.

First, he called for the Federal Reserve to raise interest rates to four percent, in order to assure that institutional depositors maintain their deposits in the banking system. Right now, the average two percent interest rates are significantly below even the official inflation rates, thus creating the dangerous proposition of a pullout of deposits, at a time when a number of leading American commercial banks are facing collapse.

Second, LaRouche called on the Federal Reserve to make it clear that whenever any commercial banks face insolvency, they will be put through bankruptcy reorganization under Fed protection. This is a fundamental shift from the bailout of Bear Stearns. LaRouche emphasized that the amount of leveraged debt in the banking system can never be bailed out, and that the only way to avoid social chaos, caused by the total collapse of the U.S. banking system, is for the Federal Reserve to oversee an orderly bankruptcy restructuring of any insolvent commercial banks.

LaRouche emphasized that, in themselves, these actions will not solve the problem of the bankruptcy of the entire post-Bretton Woods financial system. Those who argue that such interest rate hikes will trigger a recession, fail to comprehend that we are facing an imminent collapse of the total global financial system. These stop-gap measures are just that: stop-gaps to avert the social chaos that would follow immediately from the insolvency collapse of major American banks.

LaRouche further emphasized that the Federal government must immediately enact legislation, to massively increase credit for vital infrastructure projects. He cited the ongoing crisis in the Midwest, with the [flooding of the Mississippi River basin](#), as the most immediate example of the kinds of priority infrastructure projects that must be funded, through capital budgeting.

**See also, ["Free Trade VS. National Interest: The Economics Debate about Russia"](#), by Lyndon H. LaRouche, Jr., June 12, 2008**

<p>Paid for by the Lyndon LaRouche Political Action Committee P.O. Box 6157, Leesburg, VA 20178, <a href="http://www.larouchepac.com">www.larouchepac.com</a> and Not Authorized by Any Candidate or Candidate's Committee</p>
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