

<http://www.larouchepac.com/news/2007/08/07/central-bankers-say-let-it-blow.html>

August 7, 2007 (LPAC)--"The central bankers have decided to let [the system] blow up," said Lyndon LaRouche this morning... "As of now, the word is, 'let it blow!' If nothing changes in the meanwhile, it will probably happen. It will be horrible."

Consistent with this forecast, the Federal Reserve announced from its meeting today, that it was making no change in monetary policy or "outlook."

Why? LaRouche says they looked at the figures, and saw there was no way this could be bailed out. It simply could not be done. For a week or more, they counted all their fingers and toes. It's not that they were negligent; they saw that given the scale of the problem and of their resources, it would be worse if they tried to bail it out, than if they did nothing. They said to themselves, "If we throw our inadequate resources at this, it'll be a disaster!" Better save their limited resources for urgent future use. They had to say, "Let it go!"

To the question, "but what's their plan?", LaRouche responded: "They have no plan. We have the plan!"

A City of London analyst told LPAC yesterday that, "there has been no Greenspan-like bailout response from the world's central banks to the Bear Stearns and other hedge fund/investment bank disasters, and there will not be any." As the City of London sees it, recent statements by European Central Bank head Trichet indicate that it is "about time" that this blowout of the vast credit bubble took place, and the central banks will not do anything to stop it. Alan Greenspan would have done so in the past, but Bernanke will not do it now.

The central bankers are saying: "Let it happen, and the wilder investors will just have to take their losses," the source said. There will be a lot of damage, and many casualties, but, as far as Bear Stearns and their ilk are concerned, so what if they lose 25% or much more of their assets? Everything was far too inflated anyway. However, there is a real risk that the whole thing could "go over the top," the source said. There are real systemic risks, especially where the private equity control of the real economy is concerned, pension funds being threatened, and so on. But the view of many is that the system HAS to "get rid of all this stuff" before anything can function sanely again.

Along just the same lines, the lead editorial of the City's *The Economist* this week is that it is "A good time for a squeeze". The editorial says that "Tighter credit conditions are just what the markets need," and that whatever bankers and investors may say, "the recent sell-off in financial markets is good news. It may, at last, have brought people to their senses." While the frenzied US housing market could not be saved, the Economist says that the takeover boom might be brought under control by the tight credit squeeze. But the "big question now is how serious those consequences are likely to be." The debt markets are being hit hard." While the Economist fantasizes that bigger investors can survive, it does warn that the "biggest risk to the global economy probably lies with debt-laden American consumers." And, if the squeeze sets off a broader market meltdown, there will be trouble. "The real worry comes from a well-known source--the banks. They will face trouble on several fronts, and it is they who could turn a healthy credit squeeze into a nasty crunch." But essentially, the Economist endorses such a credit crunch, as does today's *Financial Times*.

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