

## Author's Preface

The financial fraud now capturing the attention of all who focus on the pathologies of both Wall Street and Washington is NOT our Nation's greatest threat. While the proposed bail-out is both unconstitutional (seeking to negate legislative or judicial review in its formulation), and also fraudulent in every respect that matters (an honest rescue would focus on bottom-up case by case remediation, ending all foreclosures and capping all interest rates including credit card interest rates at 10%), it is actually the lesser of three clear and present dangers to the Republic.

**The FIRST threat is the pervasive electoral fraud:**

1) that being pursued by the two parties now, as Democrats rush to register voters in more than one state, and the Republicans rush to manipulate the voting machines both physically and electronically; and

2) that which has stolen the Constitutional right of every voter to honest open elections—gerrymandering, the exclusion of alternative parties from fair and just competition and most explicitly from the debates, the exclusion of alternative voices from the public media.

Voters can and should demand an Instant Run-Off in the Presidential election of 2008, so that a proper national baseline of rejection of the two criminal parties—each one side of the same bi-poly spoils system coin—can be established, and the stage set for federal funding for all parties in 2010. Voters can and should demand Electoral Reform legislation now, in October, or fire every single Senator and every single Representative if they fail to yield on this basic point of order.

**The SECOND threat is the imminent dissolution of the Republic.**

There are over two-dozen active secessionist movements in the United States of America today, all with legitimate grievances, some with claimed historical rights that merit consideration but may not have standing. In addition, States' Rights have been trampled, and the Federal Government in its three parts is no longer the honest, balanced, public good that it was meant to be. The financial fraud that both parties have nurtured and now seek to capitalize in a massive robbery that boldly claims it cannot be subject to review is the last straw. ENOUGH!

It merits comment that history teaches us that the best time for secession is when an Empire is severely over-reaching abroad, financially destitute at home, and generally lacking in public support. That time is now. From Vermont to the South to Texas to California to the Pacific Northwest, the Republic is as close to dissolution as the Soviet Union was in the aftermath of the Reagan Revolution. We the People are supposed to be sovereign, but we are not, as things now stand. However, We the People are also a power that the government cannot suppress. The visible incapacity of the U.S. Government to be open, honest, and effective in the matter of the Wall Street and Federal Reserve and Secretary of the Treasury fraud being presented to the public, is in my view, grounds for exceptional public action.

**The THIRD threat is the Federal Reserve combined with Wall Street greed.**

The Federal Reserve is neither Federal nor a reserve. It is a front for the private banks, and as such, it represents their interests, not those of We the People. We need a twelve year exit

strategy for the Federal Reserve, one that starts with eliminating all individual income taxes and financing the much-reduced U.S. Government via taxes on financial transactions among banks and corporations, and that over time eliminates our debt and restores a “hard money” economy.

Wall Street greed has been condemned by John Bogle, Warren Buffet, Lee Iacocca, and Ralph Nader, among many others, all of whom forewarned the Congress that this disaster was looming. Neither the Secretary of the Treasury, a full dues-paying member of the Wall Street cabal, nor the Congress, can be trusted to represent the public interest. The public is being lied to on a massive scale that makes the lead-up to the Iraq War pale in comparison.

**Wall Street, the Federal Reserve, and the Two Political Parties are One.**

We have only two political parties in power today, both equally guilty of abdicating their Constitutional responsibility under Article 1 for balancing the power of the Executive; and both also equally guilty of neglecting the public interest in favor of two forms of corruption:

- the first is the traditional legalized bribery that permeates corporate financing of campaigns, with secret earmarks—Wall Street owns both parties, and the public can be assured that both candidates are acutely conscious of the pros and cons of contesting a fraudulently-won election—we all lose as things now stand, for as things now stand, neither candidate has access to non-partisan advisors.
- The second is the less well understood corruption of “party line” voting that negates the unique interests of their respective state or district constituencies.

The Republicans have for the past eight years not only pursued reckless supply-side economics, but they have betrayed the public trust by choosing, in Congress, to be foot-soldiers supporting the Executive, blindly rubber-stamping everything from war to warrantless wiretapping that unbeknownst to Americans, is easily mirrored in Israel and elsewhere via the provided software.

The Democrats, nominally in power now, albeit tenuously and with no real spirit, are capping off eight years of being doormats for the Republicans, with a totally unrealistic if not maliciously deceptive faith in being able to keep spending without even attempting to explain how they will generate revenue, reduce the debt, and address future unfunded obligations.

**Our national political system is the pig—we must demand electoral and governance reform.**

We urgently need non-partisan appreciative inquiry and dialog—what some call postpartisanship, others transpartisanship. We must re-engage every voter in the public policy decision process.

**The pig is dead. Lipstick is not going to bring it back to life. Defer bail-out to mid-November.**

This is simple: Electoral Reform NOW; no bail-out under this Administration; and the new President becomes the authority in transition over the rescue of the U.S. economy, addressing it from the bottom-up, NOT top-down. Thus do we restore the Republic. This is your chance to reconnect to our Founding Fathers and restore America the Beautiful. Use it or lose it.

**Semper Fidelis,**

A handwritten signature in black ink, appearing to read 'RD Steele', with a long horizontal flourish extending to the right.

**Robert David STEELE Vivas**

# Guest Prefaces<sup>1</sup>

## Highlights in the public interest:<sup>2</sup>

1. Many respected economists (most of whom were not consulted) are against the bail-out or have alternative approaches that have apparently not been included in the deliberations.
2. This crisis -- as with most other crises in our government -- stems from elite misbehavior that is made both possible, and more dangerous, by blocking effective public influence and feed-back while enabling privileged influence from lobbyists.
3. This financial crisis can be directly traced to deregulation legislation written by financial industry lobbyists, sponsored by Senator Phil Gramm (R-TX), and slipped through the Senate without being read or understood by most Senators.
4. This crisis can be resolved without a bail-out, without destroying the economy or the dollar. The banks and stock firms are manipulating credit and stock prices to "get their way."
5. Taxes on stock trades combined with a government insurance program, can achieve the stabilizing effect we need, without burdening future generations with an unnecessary added debt burden.
6. Senator Bernie Sanders (I-VT) offers a better plan than either of the two parties. He and Representative Ron Paul (R-TX) should be leading joint hearings in the public interest.
7. This crisis is an opportunity for the public to recognize both the deficiencies of government as now being practiced, and the extraordinary benefits that can be achieved by restoring participatory democracy. (See the Appendix to these Preface, "Paradigms of Failure.")

## Alternative Proposal from Senator Bernie Sanders (I-VT)<sup>3</sup>

WASHINGTON, September 18 – Amid one of the worst financial crises in American history, Senator Bernie Sanders (I-Vt.) today laid out a four-part plan to cope with the collapse of financial institutions and avoid future failures of businesses "too big to fail."

First, Sanders proposed a surtax on the very wealthy to pay for bailouts of Fannie Mae, Freddie Mac and American International Group.

"The wealthiest 400 families in America saw an increase in their wealth of \$670 billion since President Bush has been in office. They have seen extraordinary benefits under Bush's reckless economic policies. The middle class, whose standard of living has declined, should not be paying for these bailouts. Rather, we need an emergency surtax on those at the very top in order to pay

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<sup>1</sup> Remixed and added 3 October 2008 by Robert Steele. See Tom Atlee's many other thoughts at [www.co-intelligence.org](http://www.co-intelligence.org). See Thom Hartman's many contributions at <http://www.thomhartmann.com>. See the books by [Sterling & Peggy Seagraves](#) at Amazon, including especially [GOLD WARRIORS: America's Secret Recovery of Yamashita's Gold](#) (Verso, 2005)

<sup>2</sup> As understood by Robert Steele.

<sup>3</sup> As [posted](#) at his official website, visit his common sense high-integrity Senate [home page](#).

for any losses the federal government suffers as a result of necessary efforts to shore up the economy," Sanders said.

Second, he called for stronger oversight of financial institutions, "This Congress needs to put an end to the radical deregulation that we have seen under President Bush and even before him. We need to put the safety walls back up in the financial services sector. We need to regulate the electronic energy markets to end speculation in oil futures."

Third, he said giant businesses like Bank of America should be broken up so no company in the future could bring the American economy down with it. Said Sanders, "This country can no longer afford companies that are 'too big to fail.' If a company is so large that its failure would cause systemic harm to our economy, if it is too big to fail, then it is too big to exist."

Fourth, he called for an immediate economic stimulus package which would put people back to rebuilding our crumbling infrastructure, and moving us to energy efficiency and sustainable energy.

## **Reflections from Tom Atlee**

Highly respected economists are against this bailout. Not only are conservative free market Republicans and liberal unions balking, but economist James K. Galbraith, a University of Texas economist and son of the late economic historian John Kenneth Galbraith, for whom I have tremendous respect, calls the crisis "hype". And Thom Hartmann also makes it clear that there is at least one tried-and-true alternative that would be far healthier for us and future generations than the current proposal.

But there's something else going on with this, for me. That is the object lesson this provides about social systems. I'd like to look at one systems dynamic in particular. It is one of the most widely recognized phenomena in systems science. FEEDBACK.

Former Senator Phil Gramm, working in 2000 (as Senate Banking Committee chair) with finance industry lobbyists, slipped a 262-page deregulation bill into a gargantuan, must-pass budget bill, which cut short any intelligent reflection about what the financial deregulation would mean for the rest of us. Most legislators were barely aware of what the bill -- called the Commodity Futures Modernization Act -- contained. Earlier, he had sponsored a 1999 bill that allowed banks, insurance companies and stock brokers to merge. His Commodities bill included deregulating "credit default swaps" which [explains Mother Jones magazine] "are basically insurance policies that cover the losses on investments, and they have been at the heart of the subprime meltdown because they have enabled large financial institutions to turn risky loans into risky securities that could be packaged and sold to other institutions." For more information on this betrayal of the public trust: \*<http://tinyurl.com/3hx8z3> \* <http://tinyurl.com/5a6y9p> \*<http://tinyurl.com/5ocu55>

This whole situation is a lesson in distorted feedback dynamics which are rapidly degrading the civilization we live in. When you remove feedback that balances a system's extremes towards healthy middle-ground, the extremes up-shift into "runaway" mode, hopped-up on self-reinforcing positive feedback loops. Pulled far enough away from equilibrium, the system spins out into a major collapse, literally tearing itself apart. "Solving" the current financial collapse by saving large institutions from the debts they incurred with extreme risk-taking is simply not smart systemic policy—and won't likely last very long. This is not rocket science.

Significantly, Gramm's (and others') economic DE-regulation removed balancing and moderating dynamics that were—for good reason—in place since the Great Depression and earlier. The fact that these sane negative feedback policies have been peeled away over recent decades should alert us to dysfunctions in another set of critical systems—our supposedly democratic system of governance and the political system that shapes how that governance plays out.

The fact that major legislation like Gramm's bill, the Patriot Act, the Iraq War authorization, and GATT and NAFTA could be pushed through using manipulation and legislative gaming—often with few legislators even reading the bills involved—raises serious questions about the way Congress operates. (I know this perspective is not new! But perhaps a systems view of it may be...)

One of the best commentaries on what we need to keep an adversarial majoritarian democracy functional can be found in an article by my father, John Atlee -- "[Democracy: A Social Power Analysis](#)" Interestingly, even though I seldom publicize it, it is the most popular article on the co-intelligence.org website -- and consistently shows up as the first or second listing in a Goggle search for "social power". Its key insight is that social power is ideally distributed in a relatively equal manner and, where it is concentrated, it must be answerable and balanced by other concentrated power. Since social power occurs in different forms, we find negative feedback loops like the bully pulpit power of a president being balanced by the web power of bloggers, or the financial power of corporations being balanced by the organizing power of unions and consumers.

Which brings us back to what's happening now. The concentration of financial and mainstream media power that has occurred over the last several decades is seriously distorting most systems in our society. This is not about Left versus Right, or Liberal versus Conservative. It is about the ability of a system to sustain itself, following the natural laws of systems. "Power corrupts and absolute power corrupts absolutely." ***The more concentrated social power is, the more it can reinforce positive feedback dynamics that increase its power, and interfere with negative feedback dynamics that help balance the system and keep it healthy.*** [Emphasis added.]

In his monumental [COLLAPSE: HOW SOCIETIES CHOOSE TO FAIL OR SUCCEED](#), Jared Diamond notes that civilizations often collapse because the elites whose power derives from social and environmental degradations protect themselves from the consequences of their actions -- until it is too late. For a superb preview of this book, see Tom Riggins' offering in Political Affairs Magazine.

***So there is another dimension to all this: Broken negative (balancing) feedback dynamics lead to runaway positive feedback dynamics which tear a system apart.*** [Emphasis added.]

In crisis, opportunity knocks very loudly. So let's face some important questions squarely: What would make it likely that most social change activists and evolutionary agents would see (and prepare for) crises, catastrophes, and collapse as opportunities to move more rapidly and effectively towards a more just, sustainable, wise, and enjoyable society? And: How could systems thinking begin to influence an activist culture traditionally preoccupied with issues, wars, candidates, and local disasters?

What, in short, will help those of us wishing to co-create a better world to rise to the great Occasion of our era -- the unfolding of intimately interconnected systemic crises in every part of our world?

Things are getting very ripe, indeed, for those prepared for the harvest.

## Reflections from Thom Hartman<sup>4</sup>

This bailout deal will so indebt the next president (and Congress) that even thinking of new social spending (expanding health care, social security, education, infrastructure, etc.) will be impossible; taxes will even have to be raised just to pay for the bailout. It'll debase our currency, driving up commodity prices and interest rates, which will benefit the Investor Class while further impoverishing the pesky Middle Class, rendering them less prone to protest (because they're so busy working trying to pay off their debt). It'll create stagflation for at least the next half decade, which can be blamed on Democrats who currently control Congress and, should Obama be elected, be blamed on him.

But there's another way: Create an agency to fund the bailout, loan that agency the money from the treasury, and then have that agency tax Wall Street to pay us (the treasury) back.

It's been done before, and has several benefits. Franklin D. Roosevelt, as part of the New Deal, put into place a series of rules to discourage speculation and promote investment, including maintaining - and doubling - the Securities Transaction Excise Tax. Other countries followed our lead, and the UK, France, Japan, Germany, Italy, Greece, Australia, France, China, Chile, Malaysia, India, Austria, and Belgium have all had or have STETs.

So let's go back to what we know works. After Hoover's 1931 bailout of the banks failed, FDR did a cold reboot of the entire system, putting into place strong rules to prevent speculative abuse. And he doubled the STET tax, both producing revenue that more than funded the Securities and Exchange Commission and further prevented a repeat of the speculative bubble of the 1920s that led directly to the Republican Great Depression.

We've done it before. We financed the Spanish American War and partially financed the Civil War, WWI, and WWII with STETs. We stabilized our stock market with a STET from the mid-30s to 1966, and other nations are doing it today. It's time to do it again, this time using the STET so tax Wall Street can pay for its own bailout.

## Short Story from Sterling Seagraves

Actually, many Continental European banks ARE stronger than USA banks, because they have more experience with disaster in past centuries. As do some current EU governments like France, Spain and Germany. But they are exposed for 2 reasons:

- 1, they found it easy to borrow money from USA banks, so they became somewhat addicted to easy money, and now have to adjust to that source of money drying up.
- 2, most big banks not long ago set up divisions in Paris (for example, SocGen, CredAgri, Paribas) that were to play the investment game of derivatives and short-selling.

In the case of SocGen, this was exposed recently but blamed on only one man, a trick to protect many others. With CredAgri, all their regional commercial banks are very solid, but their newer Paris investment division is in deep shit because of emulating New York and London corrupt practices.

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<sup>4</sup> Extracts from "[How Wall Street Can Bail Itself Out Without Destroying The Dollar](#)" in [Common Dreams](#). See his many excellent books at Amazon, at this [collected list](#).

The basic problem is that citizens must have a secure place to put their savings. Conservative banks initially use this money to make conservative investments, but as time passes the young and ambitious "upstarts" (arrivists) begin to make crazier investments to advance their careers and enlarge their private wealth -- but still speculating only with the savings of citizens who trusted their bank. Eventually, these upstarts went crazy. But they were encouraged to do so by their bosses, and then by the Reagan, Bush Sr and Bush Jr administrations.

During the first year of the Bush Jr administration, it had such a terrible reputation and the US economy was in such terrible condition, that it was decided to increase "housing starts" (home construction) by giving mortgages to everyone (even if they could not pay-back) because the statistics would look good on paper. This soon became a "feeding-frenzy" by the Piranha, creating a global feeding-frenzy by almost all big banks, including UBS and CreditSuisse.

The reason none of the "authorities" sounded the alarm is because they, and the politicians, and journalists, and professors, are all tied together like black slaves on a slave ship. If one goes overboard, they ALL go overboard. So they protect themselves by protecting "the system".

The proposed 700-billion [now \$800-billion plus with lots of pork] US\$ bail-out [is] simply the final robbery by the Bush administration shared with all the big bank owners. In fact, the ECB has given that much to banks in the last two weeks to "increase liquidity" (put money in the pockets of the malefactors), so the Bush/Paulson bail-out was just a way of feeding their personal friends.

The people who are cheated are the citizens who trusted the banks with their savings. It is better to have the criminal banks crash, because only that will provoke a serious reform.

I hope we are getting closer to the time when citizens will rise up and get violent. It is very healthy for governments and politicians (and bankers) to get their asses kicked, to be put in the tumbrel and sent to the guillotine. This must be done every several generations to keep them afraid, because nothing on earth will keep them honest except fear.

The Bush regime postponed the guillotine by mis-directing the fear of citizens toward Muslims, and avoided a quick military coup at home by sending most soldiers to Iraq and Afghanistan where they are no danger to Washington. I may have put this very simply, but there are times when things need to be put simply.

## **Afterword from Robert Steele**

Those who vote for either of the two "sanctioned" candidates are delusional if they think any one of the two parties is superior to the other in this time of crisis. They are BOTH corrupt and they are BOTH out of touch with reality. One has only to look at the "advisors" and the "campaign strategists" surrounding each of the two candidates to see that they are each trapped in a very bad system over which they have no control. BOTH parties have conspired to eliminate the Centrists and the Moderates. BOTH parties have conspired to perpetuate electoral fraud, not only gerrymandering, but also active fraud during the elections. BOTH parties have no strategy and no understanding of the ten threats, twelve policies, and eight challengers. BOTH parties have betrayed the public trust. It is time for us to break the backs of BOTH parties, and restore participatory deliberative democracy. The Republic will not survive our failure to kill the Pig and move on. We need Instant Run-Off and an end to "winner take all" fraud, NOW. Whoever "wins," we all lose unless we engage—all of us—and demand transparent deliberate public participatory democracy. No more secret deals. **St.**