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Day of Reckoning

by Patrick J. Buchanan ([more by this author](#))

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How did the United States of America, the richest nation on earth, whose economy represents 30 percent of the Global Economy, arrive at the precipice of a financial panic and collapse?

The answer lies in the abject failure of both America's financial elite and the political elite of both parties -- the same elites now working together to determine how much of our wealth will be needed to bail the nation out of the crisis of their own creation.

Big Government is riding to the rescue -- saddlebags full of our tax dollars -- to save us from the consequences of the stupidity and folly of Big Government. New York and Washington, the twin cities responsible for the crisis, are now being hailed by the media as the 7th Cavalry, coming to rescue a beleaguered nation.

Had there not been a steady and constant infusion of easy money and credit into the U.S. economy by the Fed, for years on end, a housing bubble of the magnitude of the one that has just exploded could never have been created.

Had the politicians of both parties not coerced and pressured banks, S&Ls, Fannie Mae and Freddie Mac to make all those sub-prime mortgages, then to tie this rotten paper to good paper, convert it into securities and sell to banks all over the world, there would have been no global financial crisis.

Had they seen this coming and acted sooner, the Federal Reserve and U.S. Treasury would not today, like Henny Penny, be crying, "The sky is falling!" and the end times are at hand, unless we give them 5 percent of our gross domestic product to buy up suspect securities backed by sub-prime mortgages.

Consider what the "Paulson Plan" of Treasury Secretary Hank Paulson, against which Sen. Richard Shelby and the House Republicans rebelled, entails.

Since Americans save nothing and have to borrow from abroad to finance our trade and budget deficits, wars and foreign aid, what the secretary proposes is this: that Congress authorize the Treasury to spend \$700 billion to buy up the toxic paper on the books not only of U.S. banks, but of foreign banks operating in the United States. According to The Washington Times, the Treasury would also be authorized to buy up securities backed by rotten auto loans, student loans and credit card debts.

Thus America would be borrowing from China, Japan and the Middle East to tidy up the balance sheets of the banks of China, Japan and the Middle East. And all the rotten paper will be offloaded onto U.S. taxpayers, who hopefully will be able to recoup some of their losses, because some of the paper will be good.

Why should we do this? Because otherwise there will be a financial panic, followed by a market collapse, wiping out pensions, 401Ks, portfolios and defined benefit plans of Middle America, forcing millions into bankruptcy and millions more to put off retirement and continue working until they drop.

In a democracy, it is said, you get the kind of government you deserve. But what did the American people do to deserve this? What did they do to deserve the quality of financial, corporate and political leadership that marched them into this mess -- and that today postures as their rescuers?

Consider what this mess has already cost taxpayers: \$29 billion to buy the rotten paper of Bear Stearns so J.P. Morgan would buy the investment bank; \$85 billion for 80 percent of AIG to nationalize it; \$150 billion in a stimulus package to flood the nation with cash; perhaps \$300 billion to bail out Fannie Mae and Freddie Mac; and now \$700 billion to begin taking the toxic paper off the hands of America's big banks.

And even if this is passed, say Paulson and Fed Chairman Ben Bernanke, there is no guarantee this will resolve the crisis. If the \$700 billion is not provided and the toxic paper is not pulled off the books of the world's banks by U.S. taxpayers, however, we face an almost certain collapse, surging bankruptcies, rising unemployment, a shrinkage of GDP and a recession, if not worse.

Yet, the fellows who tell us we face a financial mushroom cloud over every American city if we do not act at once to provide the \$700 billion did not see this coming and can make no guarantee that this will succeed and end the crisis.

Nevertheless, it must be done, and done now, as collapse is imminent.

Looking at all the money being ladled out by the U.S. government to prevent a collapse, and the diminished revenue coming in, it is hard to see how America avoids future deficits that reach \$1 trillion a year. These will imperil both the dollar itself and the ability of the United States, which saves nothing, to borrow from the rest of the world. The downsizing of America is at hand.

Yes, indeed, we have arrived at the Day of Reckoning for Uncle Sam.

Mr. Buchanan is a nationally syndicated columnist and author of [Churchill, Hitler, and "The Unnecessary War": How Britain Lost Its Empire and the West Lost the World](#), ["The Death of the West,"](#) ["The Great Betrayal,"](#) ["A Republic, Not an Empire"](#) and ["Where the Right Went Wrong."](#)

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