

As Lehman Faces Liquidation, Another One Bites The Dust

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Who Will Protect Us from Plunge Protection?

Congress and The Press Must Probe This Secret “Working Group”

I often think about the alphabet of the financial crisis—a lexicon of terms like plunder—I wrote a book taking off on that idea — but, also related “P words, pricing, panic and plunge.

I think of this last one spelled this way: plungeeeeeeee as in falling off a cliff. And the dictionary sort of backs me up:

plunge [plʔnj] verb 1 [intrans.] jump or dive quickly and energetically : our daughters whooped as they plunged into the sea. • fall suddenly and uncontrollably : a car swerved to avoid a bus and plunged into a ravine. • embark impetuously on a speech or course of action : overconfident researchers who plunge ahead. • suffer a rapid decrease in value : their fourth-quarter operating profit plunged 25%.

There are many experts who see this happening today as the markets plunge in value with banks going down and very little going up except prices, foreclosures and unemployment.

Did you know that your government has machinery in place to deal with plunges? It was founded during the heady days of mourning in America—the Reagan Administration.

It was back in 1987 when the former movie star in chief signed on to this Executive Order drafted for him. The “Working Group” it set up was quickly labeled the PLUNGE PROTECTION TEAM (PPT).

As the government in effect takes over mortgage giants and wrestles over what to do about the collapse of huge investment banks like Lehman Brothers, with more to come, you know they are on alert 24/7 scrambling to put more fingers in the dyke. (Over the past weekend, the Fed and Treasury Secretary warned the banks to clean up Lehman’s mess or they could be next. As of Sunday, there was no deal and one of American’s oldest investment banks faces liquidation.)

There is a mechanism in place to avoid this type of crisis. In theory! Here are their overt marching orders; the covert mission is still shadowy.

Executive Order 12631–Working Group on Financial Markets

Section 1. Establishment. (a) There is hereby established a Working Group on

Financial Markets (Working Group). The Working Group shall be composed of:

- (1) the Secretary of the Treasury, or his designee;
- (2) the Chairman of the Board of Governors of the Federal Reserve System, or his designee;
- (3) the Chairman of the Securities and Exchange Commission, or his designee; and
- (4) the Chairman of the Commodity Futures Trading Commission, or her designee. (b) The Secretary of the Treasury, or his designee, shall be the Chairman of the Working Group.

Sec. 2. Purposes and Functions.

(a) Recognizing the goals of enhancing the integrity, efficiency, orderliness, and competitiveness of our Nation's financial markets and maintaining investor confidence, the Working Group shall identify and consider:

(1) the major issues raised by the numerous studies on the events in the financial markets surrounding October 19, 1987, and any of those recommendations that have the potential to achieve the goals noted above; and

(2) the actions, including governmental actions under existing laws and regulations (such as policy coordination and contingency planning), that are appropriate to carry out these recommendations.

(b) The Working Group shall consult, as appropriate, with representatives of the various exchanges, clearinghouses, self-regulatory bodies, and with major market participants to determine private sector solutions wherever possible.

(c) The Working Group shall report to the President initially within 60 days (and periodically thereafter) on its progress and, if appropriate, its views on any recommended legislative changes.

Sec. 3. Administration.

(a) The heads of Executive departments, agencies, and independent instrumentalities shall, to the extent permitted by law, provide the Working Group such information as it may require for the purpose of carrying out this Order.?

(b) Members of the Working Group shall serve without additional compensation for their work on the Working Group.?

(c) To the extent permitted by law and subject to the availability of funds therefore, the Department of the Treasury shall provide the Working Group with such administrative and support services as may be necessary for the performance of its functions."

In actual fact, this secret branch of government has a sophisticated war room using every state of the art technology to monitor markets worldwide. It has emergency powers. It doesn't keep minutes. There is no freedom of information access to its deliberations. There are 147,000 entries in Google on this powerful body but I could only access 10.

The reports on it are sketchy including one from the Washington Post:

"These quiet meetings of the Working Group are the financial world's equivalent of the war room. The officials gather regularly to discuss options and review crisis scenarios because they know that the government's reaction to a crumbling stock market would have a critical impact on investor confidence around the world." Remember this an administration that claims to worship an unregulated free market and yet here they are big footing the market.

Noted the Capital Observer, an investor's blog," Last week, in the article [HYPERLINK "http://capitalobserver.blogspot.com/2008/09/stacked-deck.html"](http://capitalobserver.blogspot.com/2008/09/stacked-deck.html)Stacked Deck, I alluded to the fact that the government might be intervening in the market privately as well as publicly." It also reported on September 11th that the Telegraph—a newspaper in London, natch not Washington, called it a "black arts unit."

"On Friday, Mr Bush convened the so-called Plunge Protection Team for its first known meeting in the Oval Office. The black arts unit - officially the President's Working Group on Financial Markets - was created after the 1987 crash. It appears to have powers to support the markets in a crisis with a host of instruments, mostly by through buying futures contracts on the stock indexes (DOW, S&P 500, NASDAQ and Russell) and key credit levers. And it has the means to fry "short" traders in the hottest of oils."

As the economy continues its decline, as the markets are rocked by more failures and loss of confidence, as new scandals including a sex for oil Affair in the Interior Department surfaces, shouldn't we know more about these plunge people (sounds like Pod People) who may be doing to the economy what other branches of our government did so incompetently to Iraq. (Actually, Administration political operative Jim Wilkinson who ran the War for Iraqi Freedom Doha Coalition Media Center in 2003 was for a time the key Bushevik commissar at the Working Group.)

It is time for a Congressional investigation and more media scrutiny. Let's find out if this "Working Group" helped defuse the crisis or made it worse? Is it rigging markets? New York Magazine suggested there may be a conspiratorial explanation: "Of course, the squishy "consult" language has long had conspiracy theorists speculating that it's just a backroom market-rigging cabal for the Establishment. Or, you could think of it as the Wall Street Superfriends, equipped with X-ray vision to see deep into our financial malaise, and magic lassos to jury-rig the markets back together." We need to know who was lobbying "the team" and in whose interests they act?

So far, the "financial reforms" imposed since the crisis began including 7 interest rate cuts, injections of capital and rule changes have had little impact. ' The NY Fed President Timothy Geithner, architect of The Bear Stearns bailout and the key player in recent high level meetings on Lehman Brothers came out of Kissinger Associates (as did war manager L. Paul Bremer.) In a new policy, the Fed has already agreed to make low interest loans to investment banks as well as commercial banks even though the Fed has no authority over these banks. Duh?

Is their goal to get taxpayers to pay off corporate failures or centralize power as former Treasury Department official Catherine Austin Fitts believes:

"If your goal is total centralized control, this is a great way to achieve it," she argues. "Between Freddie, Fannie, Ginnie Mae, FHA, VA and the Federal Home Loan Bank Board, the federal government no longer regulates or provides credit to the residential mortgage

market – it is the market.”

Before the economy goes down the toilet as some analysts who are predicting a depression now fear, before that final flush, we need to find out how to protect ourselves from the plunge protectors?

Mostly we need financial elites with a different orientation says Trevor Manuel, South Africa’s Finance Minister, and a key player at the International Monetary Fund, “We need elites that plough back, not elites that plunder.”

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