

It's Not a "Fiscal Cliff" ... It's a Descent Into Lawlessness

By [Washington's Blog](#)

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It's Not a Tax or Spending Problem ... It's a Devolution Into Lawlessness

The "fiscal cliff" is a myth.

Instead, what we are facing is a *descent into lawlessness*.

Wikipedia [notes](#):

In many situations, austerity programs are imposed on countries that were previously under dictatorial regimes, leading to criticism that populations are forced to repay the debts of their oppressors.

Indeed, the IMF has already performed a [complete audit of the whole US financial system](#), something which they have only previously done to broke third world nations.

Economist Marc Faber calls the U.S. a "[failed state](#)". Indeed, we no longer have a free market economy ... we have [fascism](#), [kleptocracy](#), [oligarchy](#) or [banana republic](#) style corruption.

Let's look at some specific examples of our descent into lawlessness.

Lawless Looting and Redistribution of Wealth

The central banks' central bank – the Bank for International Settlements- [warned in 2008](#) that bailouts of the big banks would create sovereign debt crises ... which could bankrupt nations.

That is exactly what has happened.

The big banks went bust, and so did the debtors. But the government [chose to save the big banks instead of the little guy](#), thus allowing the banks to continue to try to wring every penny of debt out of debtors.

Treasury Secretary Paulson shoved bailouts down Congress' throat by [threatening martial law](#) if the bailouts weren't passed. And the bailouts are [now perpetual](#).

[Moreover](#):

The bailout money is just going to line the pockets of the wealthy, instead of

helping to stabilize the economy or even the companies receiving the bailouts:

- Bailout money is being used to [subsidize](#) companies run by horrible business men, allowing the bankers to receive [fat bonuses](#), to [redecorate](#) their offices, and to buy [gold toilets](#) and [prostitutes](#)
- A lot of the bailout money is going to the failing companies' [shareholders](#)
- Indeed, a leading progressive economist [says](#) that the true purpose of the bank rescue plans is "a massive redistribution of wealth to the bank shareholders and their top executives"
- The Treasury Department [encouraged](#) banks to use the bailout money to buy their competitors, and [pushed through an amendment to the tax laws](#) which rewards mergers in the banking industry (this has caused a lot of companies to bite off more than they can chew, destabilizing the acquiring companies)

And as the New York Times [notes](#), "Tens of billions of [bailout] dollars have merely passed through A.I.G. to its derivatives trading partners".

In other words, through a little game-playing by the Fed, taxpayer money is going straight into the pockets of investors in AIG's credit default swaps and is not even really stabilizing AIG.

Moreover, [a large percentage of the bailouts](#) went to *foreign* banks (and [see this](#)). And so did a [huge portion of the money from quantitative easing](#). Indeed, the Fed [bailed out Gaddafi's Bank of Libya, hedge fund billionaires, and big companies](#), but turned its back on the little guy.

A study of 124 banking crises by the International Monetary Fund [found](#) that propping up banks which are only pretending to be solvent often leads to austerity:

Existing empirical research has shown that providing assistance to banks and their borrowers can be counterproductive, resulting in increased losses to banks, which often abuse forbearance to take unproductive risks at government expense. The typical result of forbearance is a deeper hole in the net worth of banks, crippling tax burdens to finance bank bailouts, and even more severe credit supply contraction and economic decline than would have occurred in the absence of forbearance.

Cross-country analysis to date also shows that accommodative policy measures (such as substantial liquidity support, explicit government guarantee on financial institutions' liabilities and forbearance from prudential regulations) tend to be fiscally costly and that these particular policies do not necessarily accelerate the speed of economic recovery.

All too often, central banks privilege stability over cost in the heat of the containment phase: if so, they may too liberally extend loans to an illiquid bank which is almost certain to prove insolvent anyway. Also, closure of a nonviable

bank is often delayed for too long, even when there are clear signs of insolvency (Lindgren, 2003). Since bank closures face many obstacles, there is a tendency to rely instead on blanket government guarantees which, if the government's fiscal and political position makes them credible, can work albeit at the cost of placing the burden on the budget, typically squeezing future provision of needed public services.

In other words, the "stimulus" to the banks blows up the budget, "squeezing" public services through austerity.

Numerous top economists say that the bank bailouts are the [largest robbery and redistribution of wealth in history](#).

Why was this illegal? Well, the top white collar fraud expert in the country says that the Bush and Obama administrations [broke the law by failing to break up insolvent banks](#) ... instead of propping them up by bailing them out.

And the Special Inspector General of the Tarp bailout program [said](#) that the Treasury Secretary lied to Congress regarding some fundamental aspects of Tarp – like pretending that the banks were healthy, when they were [totally insolvent](#). The Secretary also [falsely told Congress](#) that the bailouts would be used to dispose of toxic assets ... but then used the money for something else entirely. Making false statements to a federal official is illegal, pursuant to [18 United States Code Section 1001](#).

So breaking the rules to bail out the big, insolvent banks, is destroying our prosperity.

Lawless Justice System

A strong rule of law is [essential for a prosperous and stable economy](#), yet the government made it [official policy not to prosecute fraud](#), even though main business model adopted by the biggest financial crime in world history, the [largest insider trading scandal of all time](#), illegal [raiding of customer accounts](#) and [blatant financing of drug cartels and terrorists](#) have all gotten away scot-free without any jail time.

There are [two systems of justice in America](#) ... one for the big banks and other fatcats, and [one for everyone else](#).

While Iceland [prosecuted its top criminal bankers](#), and thus quickly got through its financial problems and now has a vibrant economy, the American government has done everything it can to [cover up fraud](#), and has been [actively encouraging](#) criminal fraud and [attacking](#) those [trying to blow the whistle](#).

The rule of law is now as weak in the U.S. and UK as many countries which we would consider "rogue nations". See [this](#), [this](#), [this](#), [this](#), [this](#), [this](#), [this](#), [this](#), [this](#), [this](#) and [this](#).

This is a sudden change. As famed Peruvian economist Hernando de Soto [notes](#):

In a few short decades the West undercut 150 years of legal reforms that made the global economy possible.

Moreover, U.S. government personnel are [on the take](#). They have become so corrupt that

regulators are [literally sleeping with industry prostitutes ... while they pimp out the American people](#).

The corruption of government officials is [staggering](#), and the system of government-sponsored rating agencies had at its core a model of [bribery](#).

We've gone from a nation of laws to a [nation of powerful men making one-sided laws to protect their own interests ... in secret](#). Government folks are [using laws to crush dissent](#). It's gotten so bad that even [U.S. Supreme Court justices are saying](#) that we are descending into tyranny.

It's not a "fiscal cliff" ... it's [an attempt to rape America ... just like Greece and Ireland have been plundered](#).

Economics professor Randall Wray [writes](#):

Thieves ... took over the whole economy and the political system lock, stock, and barrel. They didn't just blow up finance, they oversaw the swiftest transfer of wealth to the very top the world has ever seen. They screwed workers out of their jobs, they screwed homeowners out of their houses, they screwed retirees out of their pensions, and they screwed municipalities out of their revenues and assets.

Financiers are forcing schools, parks, pools, fire departments, senior citizen centers, and libraries to shut down. They are forcing national governments to auction off their cultural heritage to the highest bidder. Everything must go in firesales at prices rigged by twenty-something traders at the biggest and most corrupt institutions the world has ever known.

Economics professor Michael Hudson agrees ... saying that the banks are trying to roll back all modern laws and [make us all serfs](#).

Professor Hudson [explained](#) in 2008:

You have to realize that what they're trying to do is to roll back the Enlightenment, roll back the moral philosophy and social values of classical political economy and its culmination in Progressive Era legislation, as well as the New Deal institutions. They're not trying to make the economy more equal, and they're not trying to share power. Their greed is (as Aristotle noted) infinite. So what you find to be a violation of traditional values is a re-assertion of pre-industrial, feudal values. The economy is being set back on the road to debt peonage. The Road to Serfdom is not government sponsorship of economic progress and rising living standards, it's the dismantling of government, the dissolution of regulatory agencies, to create a new feudal-type elite.

[Indeed](#):

Foreign Policy magazine ran an article entitled "[The Next Big Thing: Neomedievalism](#)", arguing that the power of nations is declining, and being replaced by corporations, wealthy individuals, the sovereign wealth funds of monarchs, and city-regions.

Indeed, [this isn't the "Great Recession", it's the Great Bank Robbery](#). The big banks have [pillaged](#) and [looted](#) the rest of the world.

A lawless justice system is ruining the economy.

Lawless Central Bank

The non-partisan [Government Accountability Office calls the Fed corrupt and riddled with conflicts of interest](#). Nobel the World Bank would view any country which had a banking structure like the Fed as being corrupt and untrustworthy. The former vice president at the Federal Reserve Bank of Dallas said he worried that the failure of the government to provide more information about its rescue spending could signal corruption. "[Nontransparency in government programs is always associated with corruption](#) in other countries, so I don't see why it wouldn't be here," he said.

Moreover, the Fed has broken the law by [withholding information from Congress](#), [letting unemployment rise](#) in order to keep inflation low, and otherwise exceeding its authority under the Federal Reserve Act.

Our central bank's lawless and unaccountable actions are hurting the economy.

Lawless Attack on Democracy

The ability of the people to participate in their government's decision-making is [vital for a nation's prosperity](#). But we no longer have democracy or a republican form of government in America.

The big banks [own](#) Washington D.C. politicians, lock stock and barrel. See [this](#), [this](#), [this](#) and [this](#). [Two leading IMF officials, the former Vice President of the Dallas Federal Reserve](#), and the [the head of the Federal Reserve Bank of Kansas City](#), Moody's [chief economist](#) and many others have all said that the United States is controlled by an "oligarchy" or "oligopoly", and the big banks and giant financial institutions are key players in that oligarchy.

Laws are being [passed in secret](#), and not even Congress knows what's going on.

In other words, not only the justice system, but the entire system of American representation has been corrupted, thus harming the economy.

Lawless Infringement of Freedom

Personal freedom and liberty – and freedom from the arbitrary exercise of government power – are *strongly correlated* with a healthy economy, but America is descending into tyranny.

Authoritarian actions by the government [interfere with the free market](#), and thus harm prosperity.

U.S. News and World Report [notes](#):

The Fraser Institute's latest Economic Freedom of the World Annual Report is out, and the news is not good for the United States. Ranked among the five

freest countries in the world from 1975 through 2002, the United States has since dropped to 18th place.

The Cato institute [notes](#):

The United States has plummeted to 18th place in the ranked list, trailing such countries as Estonia, Taiwan, and Qatar.

Actually, the decline began under President George W. Bush. For 20 years the U.S. had consistently ranked as one of the world's three freest economies, along with Hong Kong and Singapore. By the end of the Bush presidency, we were barely in the top ten.

And, as with so many disastrous legacies of the Bush era, Barack Obama took a bad thing and made it worse.

But the American government has shredded the constitution, by [subjecting us to indefinite detention](#), [taking away our due process rights](#), deploying [drones above our heads](#), [spying on all Americans](#), and [otherwise attacking our freedoms](#).

Indeed, rights won in 1215 – in the Magna Carta – are [being repealed](#).

Economic historian Niall Ferguson [notes](#), draconian national security laws are one of the main things undermining the rule of law:

We must pose the familiar question about how far our civil liberties have been eroded by the national security state – a process that in fact dates back almost a hundred years to the outbreak of the First World War and the passage of the 1914 Defence of the Realm Act. Recent debates about the protracted detention of terrorist suspects are in no way new. Somehow it's always a choice between habeas corpus and hundreds of corpses.

Of course, many of this decades' national security measures have [not](#) been taken [to keep us safe](#) in the "post-9/11 world" ... indeed, [many of them](#) started [before 9/11](#).

And America has been in a [continuous declared state of national emergency](#) since 9/11, and we are in a literally never-ending state of perpetual war. See [this](#), [this](#), [this](#) and [this](#).

In fact, government has [blown terrorism fears way out of proportion](#) for political purposes, and "national security" powers have been used in many ways to [exempt big Wall Street players from the rule of law](#) rather than to do [anything](#) to protect us.

So lawlessness infringement of our liberty is destroying our prosperity.

Lawless Initiation and Prosecution of War

It is well-documented that war [destroys the economy](#).

Top U.S. government employees [lied us into war, and used illegal torture, assassinations and other crimes of war](#) in prosecuting the wars they unnecessarily started. They were – at a

minimum – [criminally negligent](#) for failing to stop 9/11 (and [see this](#)).

In the name of fighting our enemies – the U.S. has directly been supporting Al Qaeda and other terrorist groups for the last decade. See [this](#), [this](#), [this](#), [this](#) and [this](#).

Our use of torture has also [created many more terrorists than it has prevented](#).

Security experts – including both conservatives and liberals – agree that waging war in the Middle East *weakens* national security and increases terrorism. See [this](#), [this](#), [this](#), [this](#), [this](#), [this](#), [this](#) and [this](#).

[Indefinite detention, drone-strikes on innocent civilians, occupation of foreign countries](#), and most of America's other tactics in the "war on terror" increase terrorism.

Terrorism feeds the cycle of war ... and is thus harming our economy. (And because terrorism spooks people, they [spend less, which further harms the economy](#)).

So lawlessness in starting and prosecuting war is destroying our prosperity.

We're not facing a "fiscal cliff". We're facing a descent into lawlessness. Stopping the [fraudulent schemes](#), endless bailouts and imperial adventures is the place to start.

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