BAILOUTS - WHAT STEPS LEAD UP TO A BANK BAILOUT?

There are many features in the Federal Reserve System that naturally lead up to a bank bailout. One should not think that bank bailouts are unpredictable, caused by some unforeseen chain of events. *Bailouts are part of the natural progression of the fractional-reserve banking scheme instituted by the men who set up this system in 1910.*

[1] The first thing to understand is that the US dollar is created out of nothing (computer digits or paper backed by nothing) whenever a loan is made. *Fractional-reserve banking allows the banker to loan out many times more money than he has in the vault, sometimes a hundred-fold.* When the borrowers default on their loans and the bank does not have enough money in the vault to pay the depositors their money, the natural result would be for the bank to go bust.

[2] However, since bankers make their money from collecting interest on loans, the system creates more money, either digital or paper, and lends it to the defaulting borrower so that he can at least make the interest payments. This is called "rolling over a loan." If you suspect that the borrower, who was defaulting on the first loan, will eventually also default on the second loan, you would be correct.

[3] However, there is more to the story... In 1999, Bill Clinton repealed the Glass-Steagall Act that prohibited deposit banks from underwriting speculative instruments. In the case of the Bailout of 2008, these instruments were derivatives and credit default swaps. Trillions of dollars were lost on these speculations.

[4] When these speculative deals (bets) failed, the Federal Reserve banking cartel representative, Hank Paulson, convinced Congress that the federal government (i.e. the tax-payer) should guarantee the debts. *This was done by scaring the Congress*, telling them if the tax-payers did not bail out this banking system, there would be great damage to the economy and unbearable hardship to the people. *When Congress fell for this scare tactic, the burden of this huge debt was transferred from the books of the banks to the backs of the American people.*

[5] Part of this scheme involves the FDIC to step in and pay off some of the depositors whose money had been lent out to the defaulting borrowers. Since more money is needed to pay the bank's debts, the Federal Reserve get permission from Congress to print money to cover them. This causes new paper dollars, backed by nothing of value, to flood into the marketplace. Since every dollar in circulation is now worth less because there are so many more of them, prices go up.

So, bank bailouts are not the result of some unfortunate move by bankers who don't know what they are doing. *It's the natural progression of fractional-reserve banking which should be abolished. The private Federal Reserve System should be severed from controlling the American people's money supply and the debt that the banks incurred should be erased from the people's books and put back onto the banker's books where it belongs.*

For more info, read "The Creature from Jekyll Island" by G.E. Griffin or visit www.TheTinySpark.com