

GI SPECIAL 6L18:

The VA Benefits Slingshot



From: Mike Hastie
To: GI Special
Sent: December 25, 2008 6:50 AM
Subject: Veterans Benefits

Veterans Benefits

Get your hot dogs and T-shirts here.

**If you spent more than one tour,
you get 2 hot dogs, but only one
T-shirt per veteran.**

**Under Obama, you're going to
get more hot dogs than under
Bush.**

If you got a Purple Heart, we

will put ketchup on the dog.
You go with the VA you got,
not the VA you want.
The benefits will be slow at first,
but the VA will play catch up later.
We are here to serve you,
until you take your last breath.
Your PTSD counseling will cover
everything but betrayal.
Getting fucked, was your problem.
You volunteered for the military,
so you should have known better.
Alcoholism was caused by a
personality disorder.
Not the war.
Drug abuse was caused by a
personality disorder.
Not the war.
Divorce was caused by a
personality disorder.
Not the war.
Suicide was caused by a
personality disorder.
Not the war.
If you killed anyone over there,
or you saw a buddy get wasted,
that's all part of being a soldier.
There's no crying in war.
If you find yourself in a padded cell,
screaming you hate your government,
get those feelings out!
The road to recovery will make a
profound beginning, when you finally
realize you got fucked in the ass with
everything the U.S. Government could
give you.
That's war,
so,
take it like a man.
Get your red hot, hot dogs here with
the Purple Heart ketchup.
VA benefits here,
coming at you for the rest of
your life.

Mike Hastie

U.S. Army Medic
Vietnam 1970-71
December 26, 2008

Photo and caption from the I-R-A-Q (I Remember Another Quagmire) portfolio of Mike Hastie, US Army Medic, Vietnam 1970-71. (For more of his outstanding work, contact at: (hastiemike@earthlink.net) T)

ACTION REPORTS

A Brief History Of The Military Project:

**“Troops Forced An End To The
Vietnam War Because They Refused
To Fight A People They Realized
Were Not Their Enemy. We Have No
Time To Waste In Working Toward
That Goal Today”**

**“Our Work Is Focused: We Promote
Face-To-Face Outreach Efforts At
Armories, Bases And Other
Installations”**

Remarks by Katherine G, The Military Project, to Veterans For Peace National Convention, 2008 [Excerpts]

Anti-war sentiment among active duty troops, reservists and veterans is at an all-time high.

This is evident both from the exponential growth of IVAW, as well as polls, and the success of the Appeal for Redress, which was spearheaded by active duty troops.

Though many anti-war troops share our commitment to immediate withdrawal, among other issues, they have not yet connected with organizations that can provide the support and resources they need.

We must reach out to them.

In 2004, in a small New York apartment, group of only four people- ---all of them concerned civilians and some of them veterans or family members of veterans — formed the Military Project to reach out to anti-war troops.

I got involved in this for personal reasons, at first.

My late father served in Pleiku, Vietnam as a medic. He didn't believe in that war and was against it before he was drafted...but he went because he was asked to, and he was told that he would be defending the freedom that this country is supposed to represent.

He took an oath to defend the Constitution — like the sisters and brothers who have been deployed to Iraq and Afghanistan in the so-called “War on Terror,”

Imagine how he felt after he got there, on the ground, and realized even more clearly that there was no doubt about it: his life was on the line for an imperial lie.

This is what he wrote inside the cover of a copy of the December 1968 Army Digest:

“3.5 million a day on air strikes in Vietnam. It's more than irony, it's immoral, and harder to live with now that I see the people, the beauty of their country, and know what might be done with the money spent on “national defense.”

These are powerful words that resonate in the GI movement today.

The Military Project's work is to constantly embolden and equip service members in their efforts to speak out against and end the wars on Iraq and Afghanistan (see attached points of agreement) and we are deeply committed to supporting anti-war troops and their families.

Our work is focused: we promote face-to-face outreach efforts at armories, bases and other installations.

Members of the Military Project have engaged in outreach at several local armories and bases and want to continue to expand these efforts to reach more troops throughout the country and around the world,

In January 2006, the Military Project initiated the first systematic outreach to troops in the United States.

Every month, when the selected National Guard unit assembles for drill, we bring publications critical of the war, including publications especially prepared for the occasion.

We also give out homemade cookies to communicate, by our supportive presence, that we have their back and are willing to work to earn their trust. This was Liam Madden's [Iraq Veterans Against The War] idea, so we can't take credit for it.

And yes, it's scary the first time — and it's early in the morning. But it's also simple: saying "Good morning, sergeant," goes a long way.

Though *Traveling Soldier* and *GI Special*, we are also providing information and support by email and direct mail for troops serving in Germany, Iraq, and in other locations.

In December 2006, Military Project worked with active duty members of the armed forces in the Appeal for Redress campaign and members of IVAW, and Cindy Sheehan, of Gold Star Families for Peace, to initiate a Christmas outreach campaign at military bases in the USA, to promote the Appeal for Redress.

We publish *GI Special* (almost daily) and *Traveling Soldier* (bi-monthly), newsletters that include material by and for anti-war troops, military family members, veterans and supportive civilians. A sample of front page articles written and sent to us by troops serving in Iraq is available on request.

On November 17, 2006, the Military Project organized the first public meeting in the USA where Iraq veterans reported how they had organized against the war while serving in Iraq, and on the importance of the support they received from the Military Project: publications, DVDs, stickers they could post in military areas, as well as ongoing correspondence.

The point of this meeting was to inform participants in the movement against the war of the important role civilians can play in offering backup to troops organizing to stop the war and to encourage them to become active in this work.

Since this time we have regularly continued our outreach — seeking out new leads for places to reach out and bringing more people into the fold to work with us. We held our first conference this year, which attracted a significant room full of people who are doing this work in locations around the country.

It was heartening to meet so many people in our corner of the anti-war movement who see that it's vital to physically show up and greet service members in this way.

Our role as civilians in the anti-war movement should be to continue this work — helping more people do outreach in more places. It means a lot, and it's practical.

Troops forced an end to the Vietnam War because they refused to fight a people they realized were not their enemy. We have no time to waste in working toward that goal today.

I would like to end with a quote based a statement from David Cortright, Vietnam Veteran, armed forces resistance organizer and author of *Soldiers in Revolt*.

“During the Vietnam era enlisted servicemen created massive pressures for change, despite severe repression, and significantly altered the course of the war and subsequent military policy.

“To sustain and strengthen this challenge we must...support those within the armed services, including National Guard and reserves, who defy the goals and program of Empire.

“The central lesson of the GI movement is that people need not be helpless before the power of illegitimate authority, that by getting together and acting upon their convictions people can change society and, in effect, make their own history.”

Please come by our table to say hello, and let us know how we can work together to reach out to troops.

They can end the war, and we can help them.

Thank you.

MORE:

MEMBERS OF THE MILITARY PROJECT

1. Do not “support the troops” in the abstract. We focus on support for Armed Forces resistance, giving aid and comfort to those who are against the war.
2. Are for the immediate, unconditional withdrawal of all occupation troops from Iraq and Afghanistan.
3. Believe that oppressed peoples and nations have the right to self-determination and the right to resist Imperial invasion and occupation.
4. Do not require others to be in complete agreement to work together with them towards common objectives.
5. Reject the idea that organizations working together on a common project must not debate differences about the best way forward for the movement. On the contrary, we encourage debate and discussion as the most useful method to arrive at the best course of action.
6. May choose to support candidates for elective office who are for immediate withdrawal from Iraq, but do not support candidates opposed to bringing our troops home now.
7. Are committed to organizational democracy. This means control of our organization by the membership, through freely elected delegates to any coordinating bodies that may be formed, whether at local, regional, or national levels. Any member in good standing may run for any position, with or without a slate. Coordinating bodies must report their actions, decisions and votes to the membership who elected them, for approval or rejection.

8. Are committed to putting in time taking action in an organized way to reach out to members of the armed forces, including local community Reserve and National Guard units.

9. Are not commissioned officers active duty or drilling reserve, or any law enforcement agency.

I understand and am in agreement with the above statement, and pledge to defend my brothers and sisters against all enemies, foreign and domestic.

(Signed)

(Date)

(Application taken by)

THE MILITARY PROJECT: Box 126, 2576 Broadway, New York, N.Y. 10025-5657
Contact@militaryproject.org

MORE:

“People Need Not Be Helpless Before The Power Of Illegitimate Authority”

THE MILITARY PROJECT: Box 126, 2576 Broadway, New York, N.Y. 10025-5657
Contact@militaryproject.org

[Based on a statement by David Cortright, Vietnam Veteran and armed forces resistance organizer.]

In the final analysis the stationing of American forces abroad serves not the national interest but the class interest of the corporate and political elite.

The maintenance of a massive, interventionist-oriented military establishment is based on the need to protect multinational investment and preserve regimes friendly to American capital.

Imperialism is at the heart of the national-security system and is the force fundamentally responsible for the counterrevolutionary, repressive aims of U.S. policy.

Only if we confront this reality and challenge it throughout society and within the ranks can we restore democratic control of the military.

Of course nothing can be accomplished without citizen involvement and active political struggle.

During the Vietnam era enlisted servicemen created massive pressures for change, despite severe repression, and significantly altered the course of the war and subsequent military policy.

To sustain and strengthen this challenge we must continue to build political opposition to interventionism and support those within the armed services, including national guard and reserves, who defy the goals and program of Empire.

The central lesson of the GI movement is that people need not be helpless before the power of illegitimate authority, that by getting together and acting upon their convictions people can change society and, in effect, make their own history.

The Military Project

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IRAQ WAR REPORTS

Marine Killed In Iraq Ambush



Lance Cpl. Thomas Reilly Jr.

December 25, 2008 Associated Press

A Kane'ohe Bay Marine who died Sunday in Anbar province, Iraq, was caught in a surprise attack and killed instantly, his mother said during an interview with a TV reporter in Kentucky.

The Pentagon released a statement yesterday that Lance Cpl. Thomas Reilly Jr., 19, of London, Ky., died while supporting combat operations.

"He was on a mission," said Gina Bray, Reilly's mother, in an interview Tuesday with WKYT. "It was a hostile situation ... and they just hurt my baby ... and they took him."

Reilly was assigned to the 1st Battalion, 3rd Marines, 3rd Marine Division, at Kane'ohe Bay.

Bray said her son went straight into the military after graduating from South Laurel High School last year and that he had been in Iraq since the summer. She said he joined the military to make others safe and was planning to attend culinary school after getting out of the military.

"He was coming home in April. He was going to surprise me," Bray said during the tearful interview. "And he didn't get to come home."

A funeral has not yet been scheduled.

Reilly arrived at Marine Corps Base Hawai'i on Dec. 31, 2007, the Marine Corps said.

His awards include a Combat Action Ribbon, Sea Service Deployment Ribbon, Iraq Campaign Medal, Global War on Terrorism Medal, Global War on Terrorism Expeditionary Medal and National Defense Service Medal.

WOW! BIG SURPRISE!!

“On Jan. 1, Our Mission Doesn't Change,” Brig. Gen. Robin Swan, A Commander In The Division Responsible For Baghdad, Said Wednesday”

“Thousands Of U.S. Soldiers Will Remain Based At Joint Security Stations -- Outposts They Share With

Iraqi Army Or Police Units -- For The Foreseeable Future”

[Here’s The Big Change:]

“Routine Missions Are Being Carried Out At Night To Ease Traffic, And Helicopter Routes Are Being Adjusted Where Possible To Avoid Densely Populated Areas”

December 25, 2008 By Ernesto Londoño, Washington Post Foreign Service [Excerpts]

BAGHDAD, Dec. 24 -- A year ago, Forward Operating Base Callahan in northern Baghdad was one of the key U.S. military nerve centers in the battered capital.

Less than a week before the new year, which will usher in a largely undefined era for U.S. troops in Iraq, the military is preparing to hand over Callahan to the Iraqi government.

The U.S. military plans to shut down by then five of the 13 large bases it operates in the capital, as well as the 15 combat outposts there that are occupied solely by U.S. troops.

Thousands of U.S. soldiers will remain based at joint security stations -- outposts they share with Iraqi Army or police units -- for the foreseeable future.

“On Jan. 1, our mission doesn’t change,” Brig. Gen. Robin Swan, a commander in the division responsible for Baghdad, said Wednesday during a visit to Callahan.

And in recent weeks, commanders in Baghdad have taken steps to make the American military presence less conspicuous and obtrusive.

For example, logistical and other routine missions are being carried out at night to ease traffic, and helicopter routes are being adjusted where possible to avoid densely populated areas.

In the heavily fortified Green Zone, which will come under Iraqi control as of Jan. 1, U.S. diplomats spent Christmas Eve on virtual lockdown as authorities investigated reports that car bombs had been smuggled inside, U.S. and Iraqi officials said.

ENOUGH OF THIS SHIT;

ALL HOME NOW



101st Airborne troops climb on to a roof to set up an observation post. Photograph: Sean Smith; Guardian [UK] May 19, 2008. [Thanks to JM, who sent this in.]

NEED SOME TRUTH? CHECK OUT TRAVELING SOLDIER

Telling the truth - about the occupations or the criminals running the government in Washington - is the first reason for Traveling Soldier. But we want to do more than tell the truth; we want to report on the resistance to Imperial wars inside the armed forces.

Our goal is for Traveling Soldier to become the thread that ties working-class people inside the armed services together. We want this newsletter to be a weapon to help you organize resistance within the armed forces.

If you like what you've read, we hope that you'll join with us in building a network of active duty organizers. <http://www.traveling-soldier.org/> And join with Iraq Veterans Against the War to end the occupations and bring all troops home! (www.ivaw.org/)

Good News For The Iraqi Resistance!!

U.S. Occupation Commands' Terror Tactics Recruit More Fighters To Kill U.S. Troops



Foreign occupation soldiers from the U.S. interrogate an Iraqi family during a home invasion in Sadr City, Baghdad on a Christmas day, Dec. 25, 2008. (AP Photo/Dusan Vranic)

[There's nothing quite like invading somebody else's country and busting into their houses by force to arouse an intense desire to kill you in the patriotic, self-respecting civilians who live there.

[But your commanders know that, don't they? Don't they?]

Iraqi citizens have no right to resist home invasions by occupation soldiers from the USA. If they do, they may be arrested, wounded, or killed.

"In the States, if police burst into your house, kicking down doors and swearing at you, you would call your lawyer and file a lawsuit," said Wood, 42, from Iowa, who did not accompany Halladay's Charlie Company, from his battalion, on Thursday's raid. "Here, there are no lawyers. Their resources are limited, so they plant IEDs (improvised explosive devices) instead."



[images.google.com]

English soldiers search an American settler's house (1770's)

Declared Bill Ehrhart, a marine in Vietnam:

In grade school we learned about the redcoats, the nasty British soldiers that tried to stifle our freedom. Subconsciously, but not very subconsciously, I began increasingly to have the feeling that I was a redcoat. I think it was one of the most staggering realizations of my life.

AFGHANISTAN WAR REPORTS

Canadian Soldier Killed, Three Wounded By Blast In Zhari

12.26.08 OTTAWA (Reuters)

A Canadian soldier was killed and three others injured in southern Afghanistan on Friday when a bomb blast hit the armored vehicle they were riding in, the military said.

The incident occurred in the Zhari district to the west of the city of Kandahar, where Canada has a 2,700-strong military mission.

The soldier was the seventh Canadian member of the armed forces to die in bomb blasts in December alone.

U.S. Soldier & Two Mercenaries Wounded In Herat



A destroyed vehicle after a car attack on occupation troop convoy in Herat province December 26, 2008. (Photo: Mohammad Shoiab/Reuters)

Dec 26, HERAT, Afghanistan (Reuters) & (AFP)

A car bomber targeted a convoy of foreign troops on Friday in Afghanistan's western Herat province, wounding one U.S. soldier and two civilian contractors working with Afghan police, officials said.

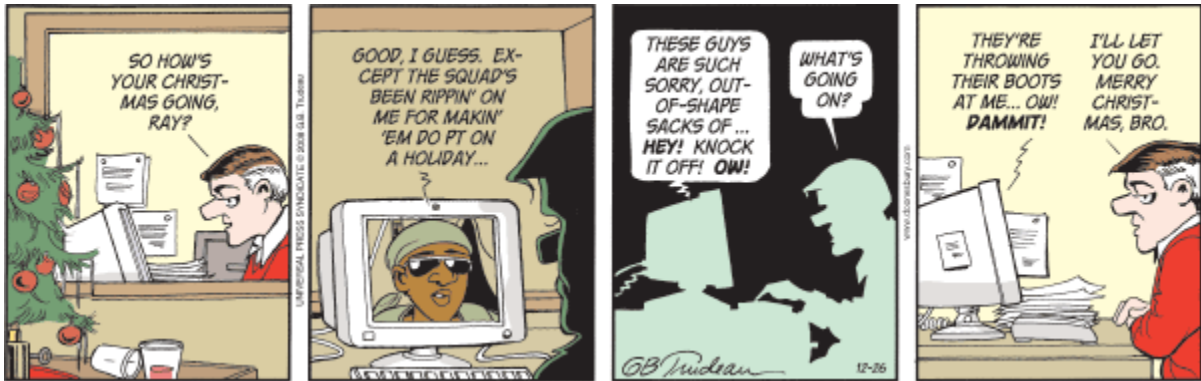
The attacker struck as the convoy left a training compound, a U.S. military official said.

Two vehicles in the convoy were damaged.

The civilians worked for the U.S.-based security company DynCorp and were involved in training Afghan police, a U.S. government official said separately, without being able to release their nationalities.

**IF YOU DON'T LIKE THE RESISTANCE
END THE OCCUPATIONS**

TROOP NEWS



[Thanks to SSG N (ret'd) who sent this in. She writes: "Shoes are the new birdie."]

IRAQ RESISTANCE ROUNDUP

Insurgents Kill Prison Commandant And Escape From Ramadi Jail

Dec 26 By SINAN SALAHEDDIN, Associated Press Writer & NPR

Several Iraq insurgents staged a daring jailbreak Friday, killing at least 10 police officers during their escape from a prison in Ramadi, authorities said.

Authorities in Iraq's Anbar province, of which Ramadi is the capital, said three inmates escaped from the city's al-Forsan police station.

The prison break began when inmates overpowered a guard, grabbed his weapon and shot him dead. They also killed the prison commandant, officials said.

Some 40 detainees were set free in an ensuing riot, which lasted for two hours. Police were able to recapture all but three of the militants, authorities said.

According to Yousif, the incident started when a prisoner held in a cell with 11 others asked a guard to allow him to go to the bathroom. When the guard opened the cell door, the prisoners pulled him in, grabbed his assault rifle and killed him, then attacked other police.

The police chief said the prisoners were all suspected insurgents. A curfew was imposed in the city, 115 kilometers (70 miles) west of Baghdad as police searched for the escapees and were conducting door-to-door searches of homes.

GET THE MESSAGE?



Thousands of Iraqis demonstrate against U.S. occupation of Iraq after Friday prayers in Baghdad's eastern Sadr city December 26, 2008. REUTERS/Kahtan al-Mesiary

FORWARD OBSERVATIONS



“For it is not light that is needed, but fire; it is not the gentle shower, but thunder.

“We need the storm, the whirlwind, and the earthquake.”

Frederick Douglas, 1852

**“The mighty are only mighty because we are on our knees. Let us rise!”
-- Camille Desmoulins**

**“When someone says my son died fighting for his country, I say, “No, the suicide bomber who killed my son died fighting for his country.”
-- Father of American Soldier Chase Beattie, KIA in Iraq**

One day while I was in a bunker in Vietnam, a sniper round went over my head. The person who fired that weapon was not a terrorist, a rebel, an extremist, or a so-called insurgent. The Vietnamese individual who tried to kill me was a citizen of Vietnam, who did not want me in his country. This truth escapes millions.

**Mike Hastie
U.S. Army Medic
Vietnam 1970-71
December 13, 2004**

**Fraggin’
“The Way Obama Talks About
Afghanistan Is Also Scary”
“He’s Been Talking Tough And Been
Making Sounds Like Anyone Else
Ready To Escalate”
“This Man Is Our Hope?”**

Indeed, isn’t that what these politicians are - high priced call girls - or boys. He or she will dress up and act out or speak out according to what they think the voter wants. Then after the election they go back to their wealthy pimps.

Fall 2008 By Bill Shunas; The Veteran; Vietnam Veterans Against The War. Bill Shunas, who writes the Fraggin' column, is a Vietnam veteran, author and VVAW member in the Chicago chapter.

As I write this I don't know who got elected president.

Let me just say that if it was McCain, that's scary.

But the way Obama talks about Afghanistan is also scary.

He's been talking tough and been making sounds like anyone else ready to escalate. This man is our hope?

If he did get elected, hopefully he'll do one of his famous flip-flops on that issue.

Maybe his critics are right. He don't know foreign policy.

FYI for Obama or McCain: back in the 1980s, arguably the second most powerful army in the world got whipped by these Afghans - cutting and running as they say.

And they want us to go there?

So far, this election campaign has been marked by what's missing. You know - support for our troops. Nobody is talking about that any more.

What kind of politicians are these? Hell, Bush talked about that for seven years. Or maybe it was only five. He hasn't said much the last two years. He now seems to be modest in his support.

Maybe that's because his support was only expressed to divert attention from his lies about his wars. That don't work any more.

The Bush administration did make one interesting move, bailing out the AIG corporation. It's sort of like nationalizing this corporation. Now AIG works for the government: like Freddie Mac and Fannie Mae and Bear Stearns.

When third world nations nationalized industries, you used to count on US marines paying them a visit in about sixteen months. Look out Washington DC.

Is this the wave of the future?

Maybe next we could nationalize the oil companies and fix this energy crisis. Then Washington lobbyists. The possibilities are endless. Wall Street. Wait a minute. We're doing that. That's what this bailout program is. We're nationalizing Wall Street. Socialism is around the corner.

Up to this point in September the election has been interesting, not for its politics or intellectual arguments, but because it appeals to our inner soap opera person. It started

with the selection of Sarah Palin. Her arrival at the Republican convention stirred up people on all sides.

Flying out of the Northland like the Valkyries in the Wagner opera (Think of Robert Duvall in Apocalypse Now with the music of the Flight of the Valkyries blaring out of his Huey in that Air Cav assault.), she hit the convention with moral rightness and moral righteousness. She came to save the Republican ticket from looking so old and so stodgy and so Washington.

In his speech at the Republican Convention Bush said that John McCain's experience as a POW for six years would better enable him to deal with America's leftists.

What are we?

Camp guards?

Maybe that's what Abu Ghraib was about - teaching those prisoners how to handle the leftists in Iraq.

As far as McCain's POW experience giving him extra qualifications to be president, it doesn't fly. If anything, he has to cope with PTSD which would increase the stress on the job and put Palin that much closer to being president. Palin's lack of experience is less bothersome than what seems to be a lack of interest in the world beyond her narrow set of interests.

I know Dick Cheney, and she's no Dick Cheney. Well, at least she can handle a rifle better than Dick Cheney.

She's more like George W. Bush or Dan Quayle: an inherent ability to look clueless at a moment's notice. Where do the Republicans get these people?

About a week or so after Palin became the vice presidential candidate some company came out with Sarah Palin action dolls.

I can't remember if there was a Dan Quayle or a Bush doll. Probably not. She's better looking, and sex sells.

One doll had her dressed in a black business suit, and the other has her in hot pants, carrying a sidearm and wearing a trench coat.

Sort of reminds you of a high priced call girl who will dress for your favorite fantasy.

Bush should have had a doll too. And Quayle.

Indeed, isn't that what these politicians are - high priced call girls - or boys.

He or she will dress up and act out or speak out according to what they think the voter wants.

Then after the election they go back to their wealthy pimps.

Now that Bush is about to exit the stage, what can we say about his presidency? He came from a Brahmin family that produced senators, ambassadors and a previous president. He grew up in privilege. Was this cream rising to the top?

Bush started out as a normal Republican, doing the usual Republican thing of cost-cutting which means cutting social programs that are not needed by important Republicans. Then came 9-11, and things went from bad to deterioration.

He lied to get us involved in two wars, one of which had nothing to do with those involved in 9-11.

And in the other he blew the only chance to get Al Qaeda at Tora Bora and let that war deteriorate into a normal imperialist adventure without end in sight.

On the home front, the only thing he has done well is cut taxes for his wealthy friends.

He has subverted civil liberties, made no progress on environmental issues or energy independence, produced record budget deficits, made no progress in areas such as education and hampered the progress of science in the modern world. In general he has been an embarrassment.

Perhaps the most embarrassing thing was the arrogant and ineffectual way he handled (or didn't handle) Katrina.

In dealing with those he has had fight his wars he has failed by blowing morale, failing to supply and failing to care for those who survive - in other words, failure to support.

He has disrespected soldiers below the rank of Brigadier.

He has disrespected the American people. He has disrespected the first amendment. He has disrespected his office. He has acted illegally.

I haven't had a high opinion of most presidents, but some have been qualitatively worse.

Pierce and Buchanan let the country spin out of control into Civil War. John Tyler joined the other side in that war. Harding was more corrupt than most. It is among these that the legacy of Bush should be placed. May he some day, somewhere, be indicted. He deserves that.

He has shown that its not always cream that rises to the top. Scum also rises

**HONOR THE WARRIOR,
NOT THE WAR**

Vietnam Veterans Against the War
Fighting for Veterans, Peace and Justice since 1967
www.vvaw.org





Vietnam Veterans marching against the war during the 1972 Democratic Convention : Miami Beach, Florida: December 23, 2008 Via Bob Broedel, VVAW & Vets for Peace (Tallahassee FL)

CLASS WAR REPORTS

**The Financial Decline And Fall
Of The U.S. Empire:
Empires Rest On A Foundation Of
Money; This One Is Bankrupt:
The Federal Reserve's Announced
Last Tuesday "That It Intends To
Debase Its Own Paper Money":**

**Specifically, The Fed Pledged To
Print Dollars In Unlimited Volume”
“Tell Us, Mr. Bernanke,” A Congressman
Might Consider Asking Him, “If You Had
The Choice, Would You Hold Dollars?
And May I Remind You, Mr. Chairman,
That You Are Under Oath?”**



"FED CHIEF BERNANKE'S RUNNING OUT OF TOOLS TO STIMULATE THE ECONOMY."

DECEMBER 20, 2008 By James Grant, Wall St. Journal [Excerpts]

It is a sorry place at which we Americans find ourselves this none-too-festive holiday season.

The biggest names on Wall Street have gone to their rewards or into partnership with the U.S. Treasury.

Foreigners stare wide-eyed from across the waters.

A \$50 billion Ponzi scheme (baited with, of all things in this age of excess, the promise of low, spuriously predictable returns)? Interest rates over which tiny Japanese rates fairly tower? Regulatory policy seemingly set by a weather vane? A Federal Reserve that can't make up its mind: Is it in the business of central banking or of central planning?

And to think -- our disappointed foreign friends mutter -- all of these enormities taking place under a Republican administration.

Trust itself entered a bear market in 2008, complementing and perhaps surpassing the selloffs in stocks, mortgages and commodities.

Never to be confused with angels, we humans seem to outdo ourselves when money is on the line. So it is that Bernard Madoff, supposed pillar of the community, stands accused of perpetrating one of the greatest hoaxes since John Law discovered the inflationary possibilities of paper money in the early 18th century.

Barely nudging Mr. Madoff out of the top of the news was the Federal Reserve's announcement last Tuesday that it intends to debase its own paper money.

Specifically, the Fed pledged to print dollars in unlimited volume and to trim its funds rate, if necessary, all the way to zero.

Nor would it rest on its laurels even at an interest rate low enough to drive the creditor class back to work. It would, on the contrary, "continue to consider ways of using its balance sheet to further support credit markets and economic activity."

Wall Street that day did handsprings.

Even government securities prices raced higher, as if, somehow, Treasury bonds were not denominated in the currency with which the Fed had announced its intention to paper the face of the earth.

Economic commentators praised the central bank's determination to fight deflation -- that is, to reinstate inflation.

All hands, including President-elect Obama, seemed to agree that wholesale money-printing was the answer to the nation's prayers.

One market, only, registered a protest.

The Fed's declaration of inflationary intent knocked the dollar for a loop against gold and foreign currencies.

In many different languages and from many time zones came the question, "Tell me, again, now that the dollar yields so little, why do we own it?"

It was on Oct. 6, 1979, that then-Fed Chairman Paul A. Volcker vowed to print less money to bring down inflation. So doing, he closed one monetary era and opened another. With Tuesday's promise to print much more money, the Federal Reserve of Ben S. Bernanke has opened its own new era. Whether Mr. Bernanke's policy of debasement will lead to as happy an outcome as that which crowned the Volcker anti-inflation initiative is, however, doubtful.

Whatever the road to riches might be paved with, it isn't little green pieces of paper stamped "legal tender."

Our troubles, over which we will certainly prevail, stem from a basic contradiction. The dollar is the world's currency, yet the Fed is America's central bank. Mr. Bernanke's remit is to promote low inflation, high employment and solvent finance -- in the 50 states. He wishes the Chinese well, of course, and the French and the Singaporeans and all the rest besides, but they don't pay his salary.

They do, however, buy the U.S. Treasury's bonds, which frames the emerging American dilemma.

If the Fed is going to create boatloads of depreciating, non-yielding dollar bills, who will absorb them?

Who will finance the Obama administration's looming titanic fiscal deficits?

Who will finance America's annual surplus of consumption over production (after 25 more or less continuous years, almost a national trait)?

Inflation is a kind of governmentally sanctioned white-collar crime.

Every crime needs a dupe. Now that the Fed has announced its plan to deceive, where will it find its victims?

Mr. Bernanke has good reason to worry about the economy. We all do.

In the boom, a superabundance of mispriced debt led countless people down innumerable blind investment alleys. E-Z credit financed bubbles in real estate, commodities, mortgage-backed securities and a myriad of other assets. It punished saving and encouraged speculation.

Imagine a man at the top of a stepladder. He is up on his toes reaching for something. Call that something "yield." Call the stepladder "leverage." Now kick the ladder away.

The man falls, pieces of debt crashing to the floor around him. The Fed, watching this preventable accident unfold, rushes to the scene too late. Not only did Bernanke et al. not see it coming, but they actually egged the man higher.

You will recall the ultra-low interest rates of the early 2000s. The Fed imposed them to speed recovery from an earlier accident, this one involving a man up on a stepladder reaching for technology stocks.

The underlying cause of these mishaps is the dollar and the central bank that manipulates it.

Knowledge of the precepts of classical central banking prepared no one to understand, much less to anticipate, the Fed's conduct in this credit crackup. As a matter of fact, it is starting to lend at a rate below which there is no positive rate.

The 21st century Fed goes with what works -- or seems to work.

What it hopes is going to work ... is more debt and more dollars.

Just how much of each can be found every Thursday evening on the Fed's own Web site.

Open up form H4.1 and prepare to be amazed. Since Labor Day, the Fed's assets have zoomed to \$2.31 trillion from \$905.7 billion.

And what is the significance of this stunning rate of asset growth?

Simply this: The Fed pays for its assets with freshly made dollars. It conjures them into existence on a computer; "printing" is a figure of speech.

In this crisis, the Fed's assets have grown much faster than its capital.

The truth is that the Federal Reserve is itself a highly leveraged financial institution.

The flagship branch of the 12-bank system, the Federal Reserve Bank of New York, shows assets of \$1.3 trillion and capital of just \$12.2 billion. Its leverage ratio, a mere 0.9%, is less than one-third of that prescribed for banks in the private sector.

Such a thin film of protection would present no special risk if the bank managed by Timothy F. Geithner, the Treasury secretary-designate, owned only short-dated Treasuries.

However, the mystery meat acquired from Bear Stearns and AIG foots to \$66.6 billion.

A writedown of just 18.3% in the value of those risky portfolios would erase the New York Fed's capital account.

In congressional testimony eight years ago, Laurence Meyer, then a Fed governor, tried to allay any such concerns (which then must have seemed remote, indeed).

"Creditors of central banks...are at no risk of a loss because the central bank can always create additional currency to meet any obligation denominated in that currency," he soothingly reminded his listeners.

Yes, today's policy makers allow, there are risks to "creating" a trillion or so of new currency every few months, but that is tomorrow's worry.

On today's agenda is a deflationary abyss. Frostbite victims tend not to dwell on the summertime perils of heatstroke.

But the seasons of finance are unpredictable. Prescience is rare enough in the private sector. It is almost unheard of in Washington.

The credit troubles took the Fed unawares. So, likely, will the outbreak of the next inflation. Already the stars are aligned for a doozy.

The public has been slow to anger in this costliest and scariest of post World War II financial crises. Wall Street and the debt ratings agencies have come in for well-deserved castigation.

But pointing fingers rarely find the Federal Reserve, whose low, low interest rates helped to set house prices levitating in the first place.

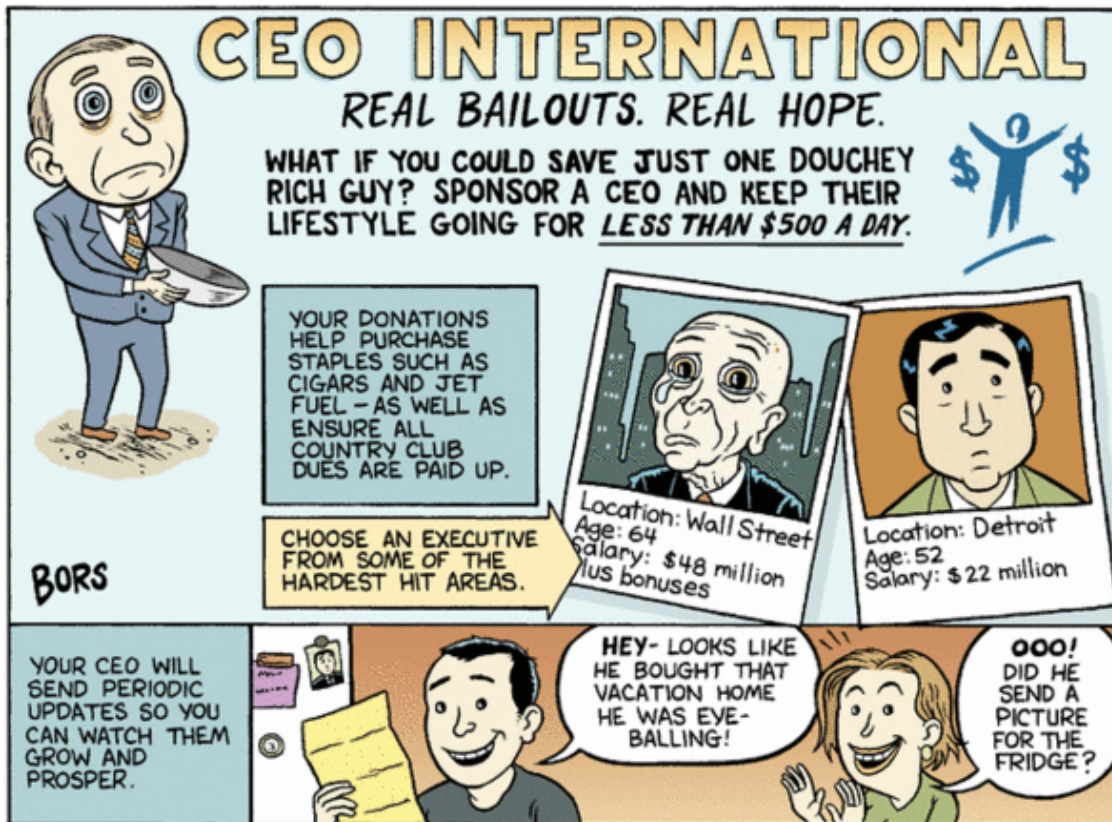
After Mr. Bernanke gets a good night's sleep, he should be ... directed to put himself into the shoes of a foreign holder of U.S. dollars.

"Tell us, Mr. Bernanke," a congressman might consider asking him, "if you had the choice, would you hold dollars? And may I remind you, Mr. Chairman, that you are under oath?"



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