



Welcome to the American History Talks

Module 7: USA and the Multi Polar World

Talk	Title	Time Period	Date of Talk	
51	The Year when the world changed	2000-2001	March 2nd	✓
52	War on Terror US and the world	2001-2009	March 17th	✓
53	From compassion to collapse: Bush Presidency	2001-2009	March 30th	
54	The politics of Hope: Obama Presidency	2009-2016	April, 20th	
55	US and the World	2009- 2016	May 18th	
56	Road to MAGA: US culture in the new century	2001-2016	June 1st	

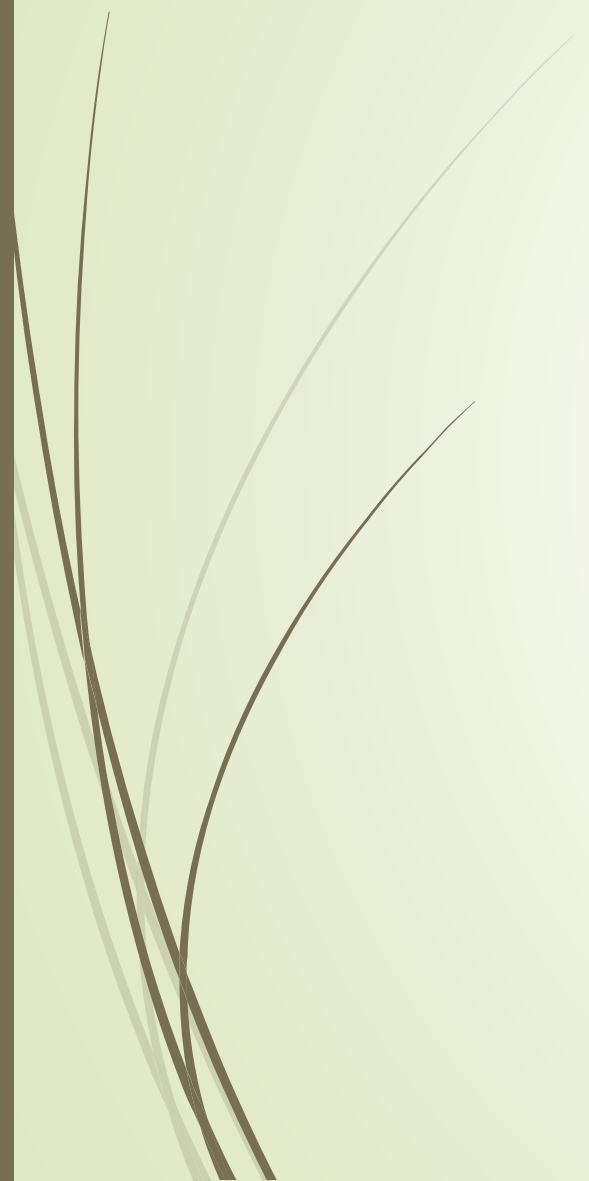
Module 8: MAGA America....ends July 6th

American History:

Talk 53: “Compassion to Collapse”
.....The Presidency of GW Bush

Talk 53: From Compassion to Collapse

- Transition of Power & “Compassionate Conservatism”
- Bush First Term 2001-2005
- Hurricane Katrina
- Financial Collapse
- The Deal and its consequences
- GW Bush legacy



Transition of power

Clinton Legacy

- Economy strong, budget balanced
- 10 years economic growth, exploding white collar, consumer economy
- US dominates the world: culturally, militarily and economically
- Financial markets de-regulated: Financial Modernisation Act 1999

Shared belief: New world emerging: The New Economy



“The New Economy”

- Services and Finance replace the making of things
- American unique culture of freedom & entrepreneurship to dominate
- Government role limited to supporting, not overseeing
- Globalisation the future and to the advantage of all
 - West to enjoy low costs and shift to “knowledge economy“
 - Developed world to focus on making and evolve to Democracy

Smooth transition of power



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Credit: David Hume Kennerly

The new team: GW Bush and D Cheneythe “Compassionate Conservatives”



GW Bush and “Compassionate Conservatism”

“Government cannot solve every problem, but it can encourage people and communities to help themselves and to help one another. Often the truest kind of compassion is to help citizens build lives of their own. I call my philosophy and approach 'compassionate conservatism'”.

“It is compassionate to actively help our fellow citizens in need. It is conservative to insist on responsibility and on results. And with this hopeful approach, we can make a real difference in people's lives.”

Bill Clinton and “Compassionate Conservatism”

“This 'compassionate conservatism' has a great ring to it, you know? It sounds so good. And I've really worked hard to try to figure out what it means. ... I made an honest effort, and near as I can tell, here's what it means: It means, 'I like you. I do. And I would like to be for the patients' bill of rights and I'd like not to squander the surplus and, you know, save Social Security and Medicare for the next generation.... I'd like to do these things. But I just can't, and I feel terrible about it.'



**WE'RE COMPASSIONATE CONSERVATIVES
WE'RE HERE TO HELP!**




"Let me through. I'm a passionate conservative."



GW Bush First Term 2001-2005

Bush Agenda 2001 Agenda

- 
- Reduce Taxes
 - Create “Ownership Society”
 - Reform education to fit “New Economy”
 - Delegate control
 - Foreign policy to Vice President Dick Cheney
 - Economic policy to Alan Greenspan Chairman Federal Reserve

.....Job #1 Fix Dot Com Crisis

Alan Greenspan (1926....)

Chairman Fed Reserve 1987-2006

Staunch Republican

...appointed by Ford/ renewed 5 times

..Objectivist philosophy...gospel of individualism and freedom

“Maestro” of New Economy

... interest rates to control inflation

...supply side economics/ tax cuts

...supports financial innovation

....markets self correct

Expert in vagueness :

“The Great Obfuscator” ”The Oracle”

“If I seem unduly clear to you, you must have misunderstood what I said.”



Dot Com Bubble Crash

80% Drop in Tech Stocks

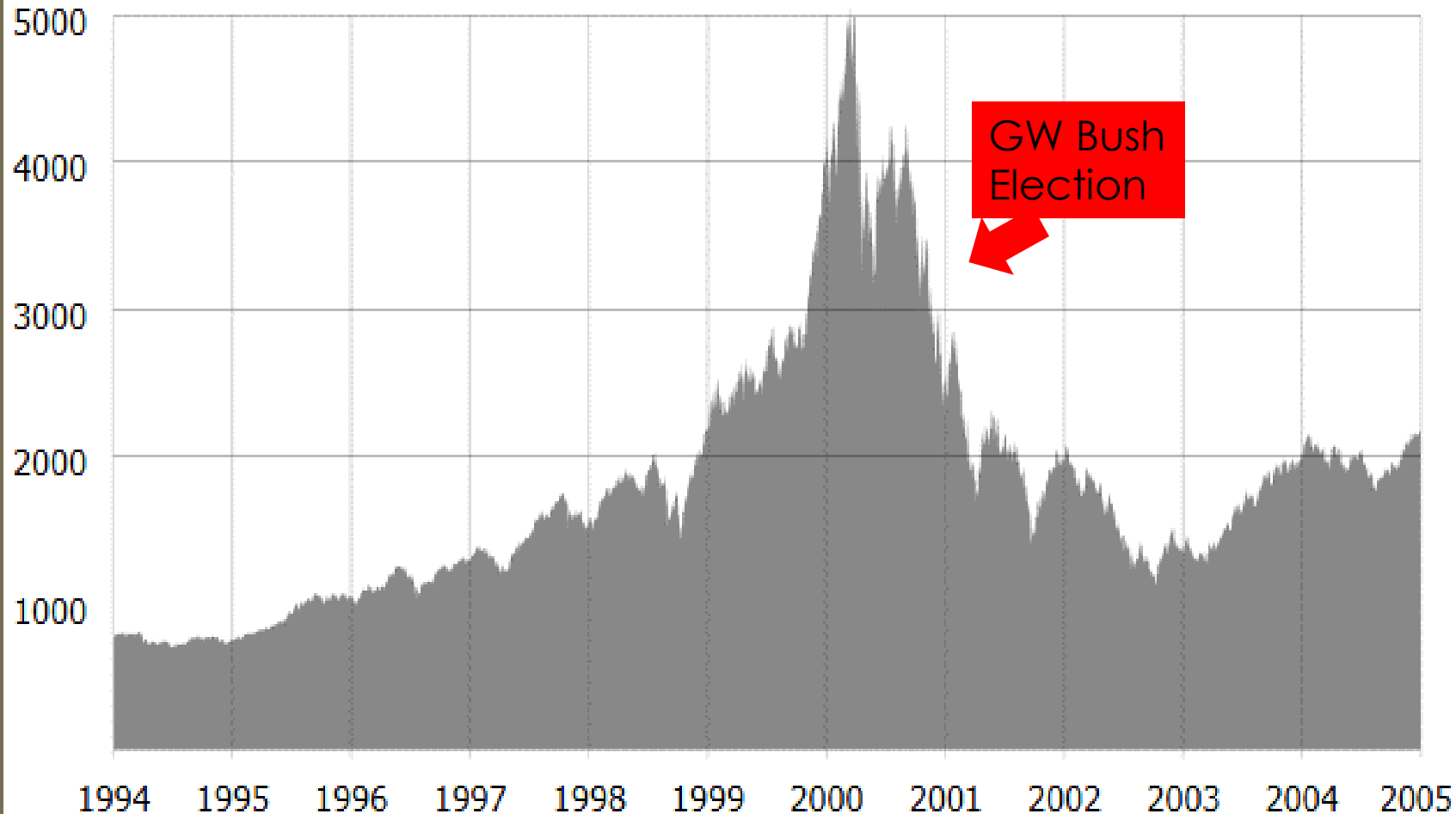
50% Dot coms go bust

500,000 tech workers unemployed

Economy growth slows
...from 4% to 1%
...Recession imminent

GW Agenda at risk

Greenspan to the rescue



Greenspan and Dotcom collapse

► Analysis

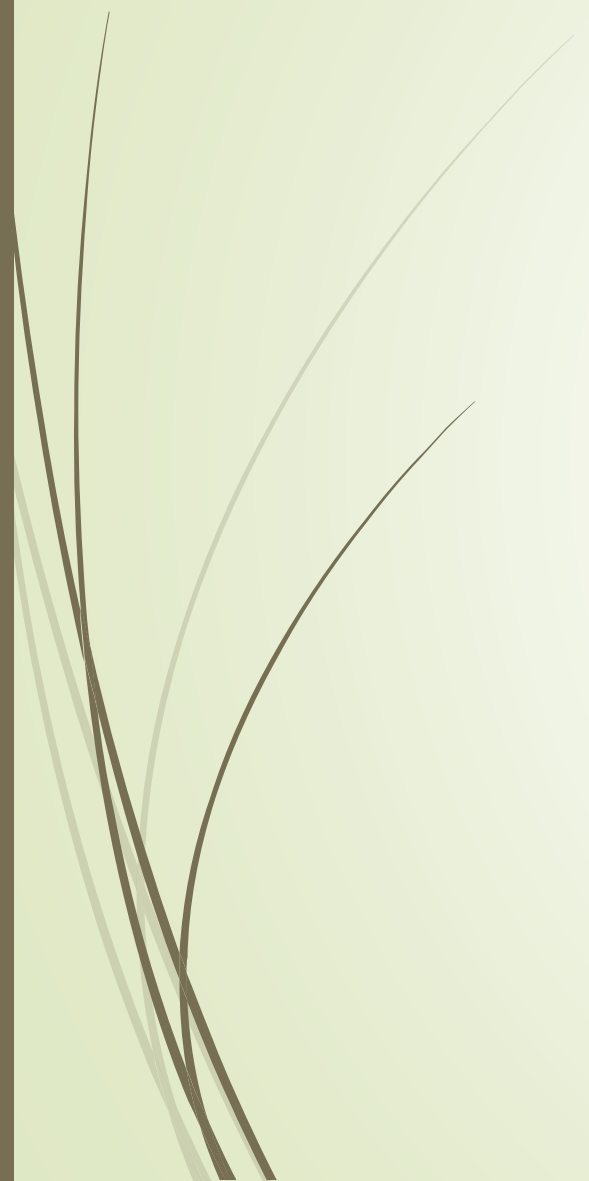
- “Crash” caused by increase in interest rates to reduce “irrational exuberance”
- Rate increase had done job....corrected market
- Solution: reduce Fed Fund rates 5% to 1%

► Warnings ignored

- Regulation not required
- Market approach, light touch vindicated

► Impact

- Market stabilises, economy avoids recession
- Investors shift focus from things/ ideas to real estate
- Home prices begin to rise...recession avoided, economy resumes growth

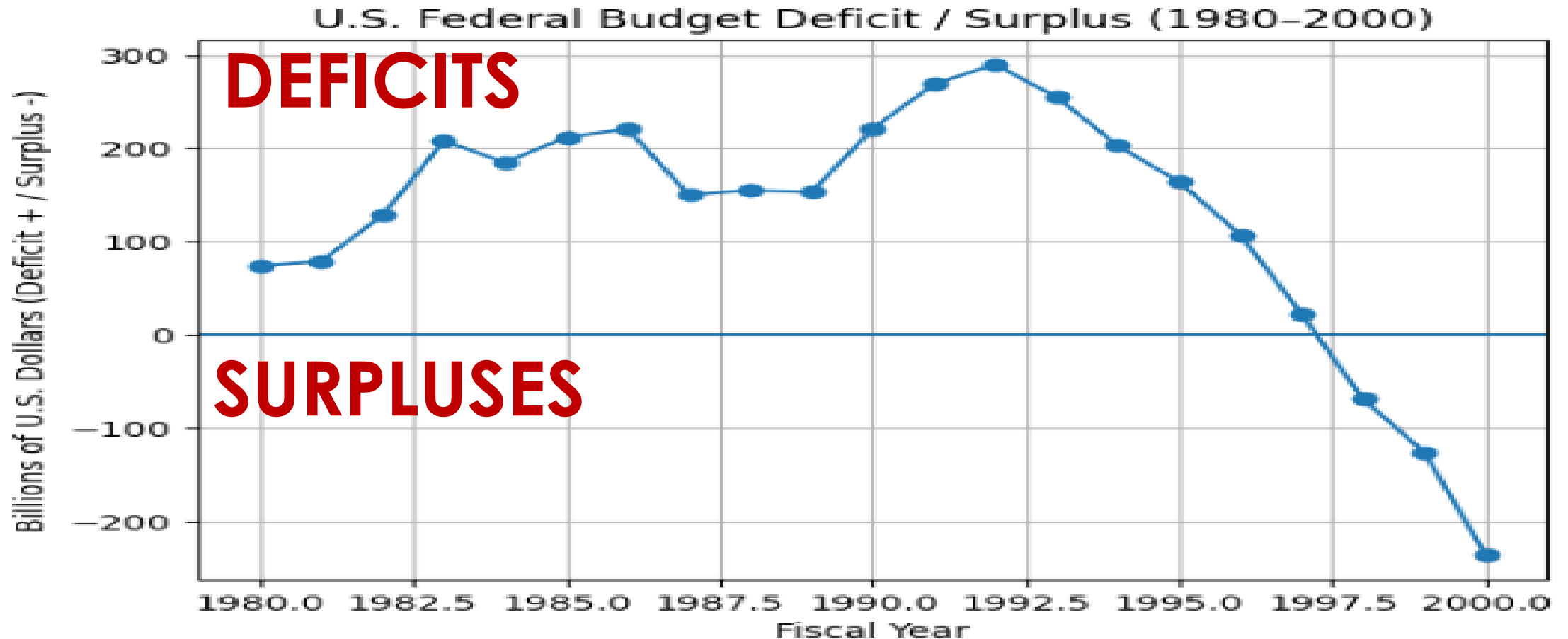


Tax Cuts

The "Surplus Problem"

Budget in surplus first time since 1969

Clinton Legacy: progressive taxes/ Defence cuts



The GW Bush Tax Cut

- GW Bush address to Congress February 2001
 - Surplus to be returned to those who funded it
 - Support “New Economy” by rewarding success
 - Middle Class/ Poor to benefit by new jobs/ opportunities
 - Surplus will be retained by higher growth
- Congress passes July 2001 despite 50-50 Senate: New Economy
- Content
 - Reduces Top Income Tax Rate 39% to 35%
 - Reduces Capital Gains and Dividends from 30% to 15%
 - Minimal benefits to low & middle income

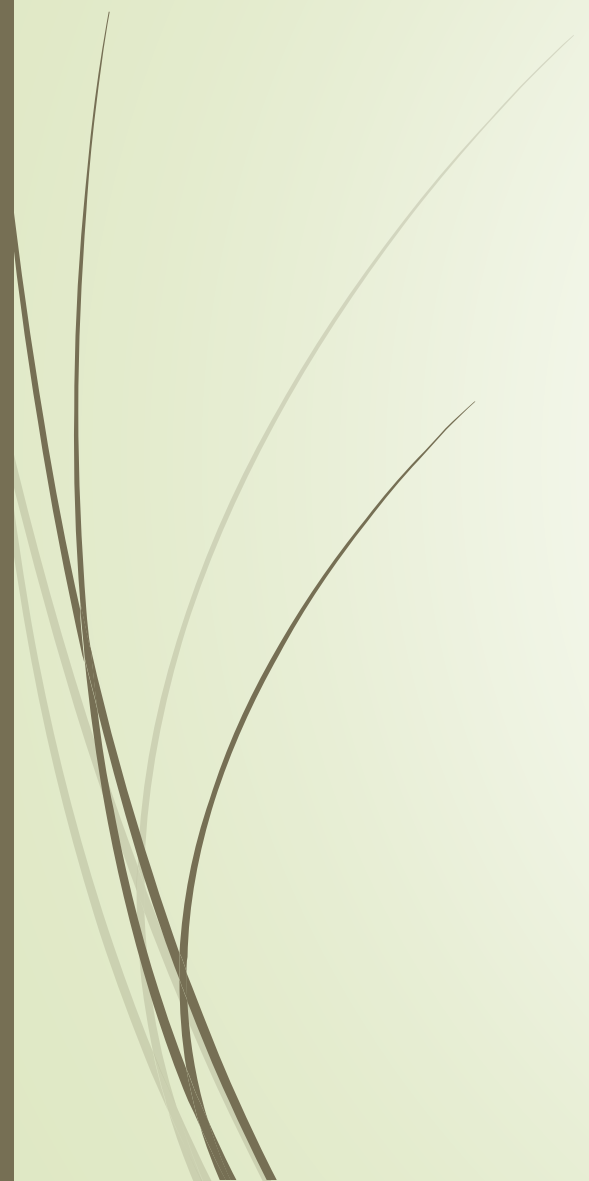
Surplus eliminated

....\$128BN Surplus...\$450 BN Deficit by 2008

...Debt rises form 31% GDP to 39% (now 90%)

Federal finances and GDP during the George W. Bush presidency^[25]

Fiscal Year	Receipts	Outlays	Surplus/ Deficit	GDP	Debt as a % of GDP ^[26]
2001	1,991.1	1,862.8	128.2	10,526.5	31.5
2002	1,853.1	2,010.9	-157.8	10,833.7	32.7
2003	1,782.3	2,159.9	-377.6	11,283.8	34.7
2004	1,880.1	2,292.8	-412.7	12,025.5	35.7
2005	2,153.6	2,472.0	-318.3	12,834.2	35.8
2006	2,406.9	2,655.1	-248.2	13,638.4	35.4
2007	2,568.0	2,728.7	-160.7	14,290.8	35.2
2008	2,524.0	2,982.5	-458.6	14,743.3	39.4
Ref.		[27]		[28]	[29]



Ownership Society

George Bush and the “Ownership Society”

- ▶ “We want everybody in America to own their own home... Yet fewer than half of Hispanics and half of African Americans own a home. That’s a homeownership gap... we’ve got to work together to close it for the good of our country... an ownership society is a compassionate society.”2001
- ▶ “I set an ambitious goal... by the end of this decade we’ll increase the number of minority homeowners by at least 5.5 million families.”
- ▶ Existing mortgage industry too restrictive, unfit for “New Economy”
- ▶ Delegates its creation “financial innovation”and the market

US Mortgage Industry prior to 2000

Home ownership considered a public good: individualism and freedom

- Mortgages provided by privately owned, publicly financed agencies
 - Government Supported Agencies (GSE's) created after Great Depression
 - Government provided unlimited line of credit/ private shareholders/ Stock listed
 - 70% US mortgages via GSE's by 2000...**implied** guarantee vs delinquency
- Conservative lending policies
 - History of "racial profiling" prior to 1970's.
 - 30 year fixed rate mortgages/ high deposits/ proofs of income
 - 80% mortgages managed by original issuer

A risk averse tightly controlled industry:

Creating the “Ownership Society” ...changing regulations/ no legislation

- ▶ Instruct GSE's to relax deposit rules
 - ▶ Reduce deposit requirements
 - ▶ Meet lending targets for minorities (offset historic race based profiling)
 - ▶ Relax lending rules
- ▶ Relax Investment Bank Regulations (Securities and Exchange 2004)
 - ▶ Banks to “Assess own risk” ...eliminate 3rd Party Assessments
 - ▶ Relax Capital to loan ratios for Investment Banks
- ▶ Actively encourage use of Sub Prime Loans

A brief history of Sub-Prime Loans

- 1970's: "Mortgage securitisation" invented (Salomon Brothers):
.....bundles of high interest of "Prime loans" for rich
- 1980's: "Sub prime loan": high interest rates for high earners only
- 1990's: Birth of an industry
 - Aggressive new lenders enter industry
 - Introduction of "teaser rates"

2000's: Industry "take off" Low interest rates + Deregulation

Sub Prime Loans

- No proof of income required (NINJA ..no income, job or asset loans)
- Minimal or no deposit loans
- Teaser Rates 1% first 3 years..then switch to “prevailing rates”
- Supported by aggressive marketing targeting low income earners

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FREE MONEY ORDERS

PAYDAY LOANS
TITLE LOANS
CHECK CASHING
EZ TAXES



Easy Loans for everyone, anytime,

1% Low Start Rate

Stated Income

No Documentation Loans

100% Finance Available

Interest Only Loans

Debt Consolidation

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American Dream for everyone (AI generated)



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SOLD!
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**We Make Homeownership *EASY!*
No Credit? Bad Credit? No Problem!
We'll get you *APPROVED!***

Call Today & Move In Tomorrow!

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**CALL NOW!
1-800-555-LOAN**

*Special Low Introductory Rate! Adjustable APR. High Fees May Apply. Prepayment Penalty if Paid Off Early.
Rates Subject to increase.

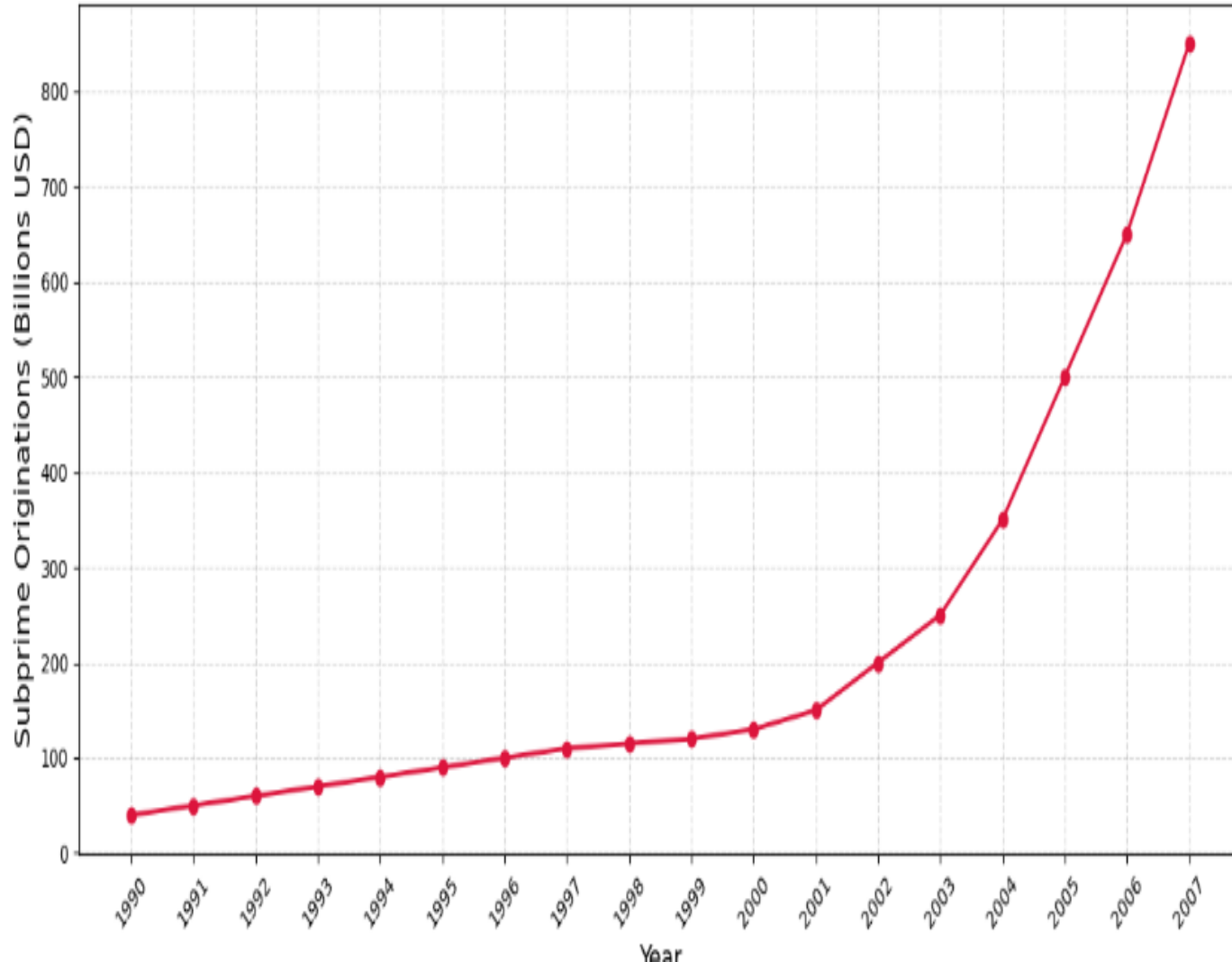


Debt solves all problems
...as long as house prices increase



.....It works

U.S. Subprime Mortgage Originations (1990-2007)



Sub Prime loans grow by 2,000%

.....\$5BN 1990

....\$300BN 2000

.....\$1 Trillion 2007

Increasing % sub prime mortgages

.....5% mortgages 1990

.....25% mortgages 2010

Finance sector expands

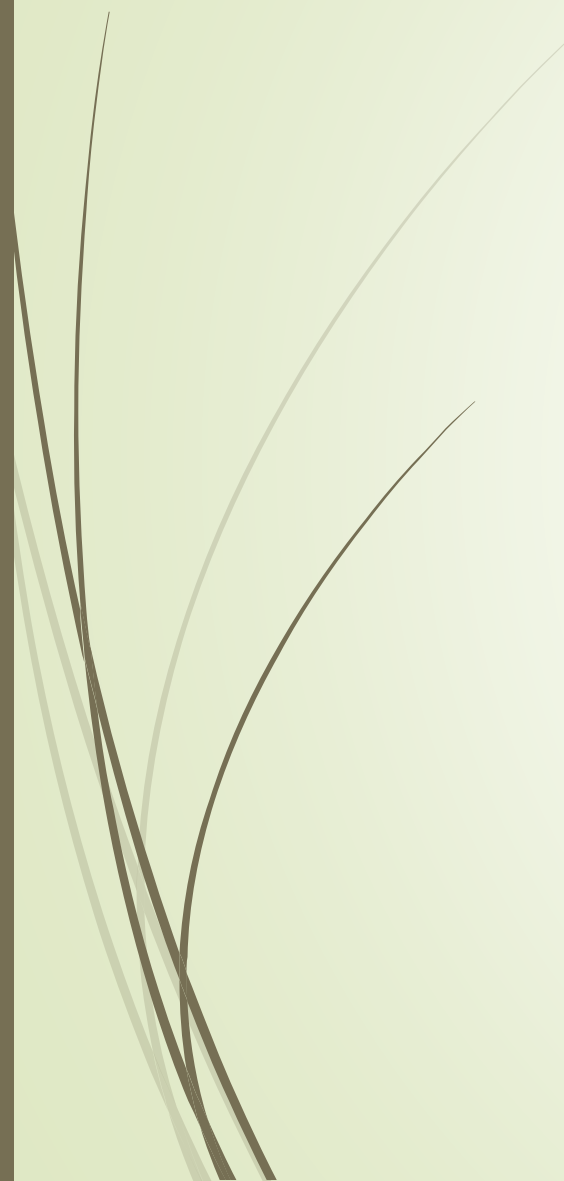
.....5% of GDP 2000

..... 9% by 2008

Home ownership increases
from 60% -69%



Education Reforms



Compassionate Conservatism & Education

- No child in America should be left behind. Every child deserves a fair, equal, and significant opportunity to obtain a high-quality education.”
(State of the Union, January 2002)
- “Parents have a right to know whether their children are learning. Teachers have a responsibility to teach. And schools have an obligation to make sure every child meets high standards.”
- This law will hold schools accountable for results. It will help ensure that students who are behind are given the help they need to succeed.”

GW Bush Education Reforms

No major reforms since 1960s

- ▶ 90% US Education paid by State and Local Government property taxes
- ▶ Wide variation by states and within states
- ▶ American education ranked below developed world average (11/20)

- ▶ GW Bush proposes “No Child Left Behind” Bill January 2001, passes Jan 2002
 - ▶ Use of mandatory “Standardised Testing” for Maths and English
 - ▶ Tests to be tailored for disabled children/
 - ▶ Schools with failing tests to be punished

- ▶ Education controlled by Government, but bulk of cost imposed on States
 - ▶ Compatible with “Compassionate Conservatism)
 - ▶ Education less than 3% US Government spending (vs 10% UK)

“No Child Left Behind”...signed January 2002



No Child Left Behind Impact

➤ Positive Impacts

- Marginal improvement in Reading, no change maths
- Disadvantaged minorities improved/ Reduced inequality

➤ Negative

- Cost to educate child increase by 50% (Teacher training, marking, remediation).
- “Teach for the Test” replaces understanding content
- Reduced teaching of Liberal Arts and Science/ increased teacher stress
- Funding for education increasingly dependent on local rising house prices

Rising resentment vs Federal involvement in local affairs

Compassionate Education



9/11: The Agenda Hijacked

...GW on No Child Left Behind road trip



Impact 9/11

- Shift in attention to foreign policy
 - Invasions of Afghanistan and Iraq crowd agenda
 - Expansion military industrial complex after 1990's cuts
- Domestic Policy becomes security focused
 - Patriot Act 2001...increase surveillance, wire taps, sneak & peek private comms
 - Homeland Security....integrate Security Agencies/ Border controls
- Delegate economy to market

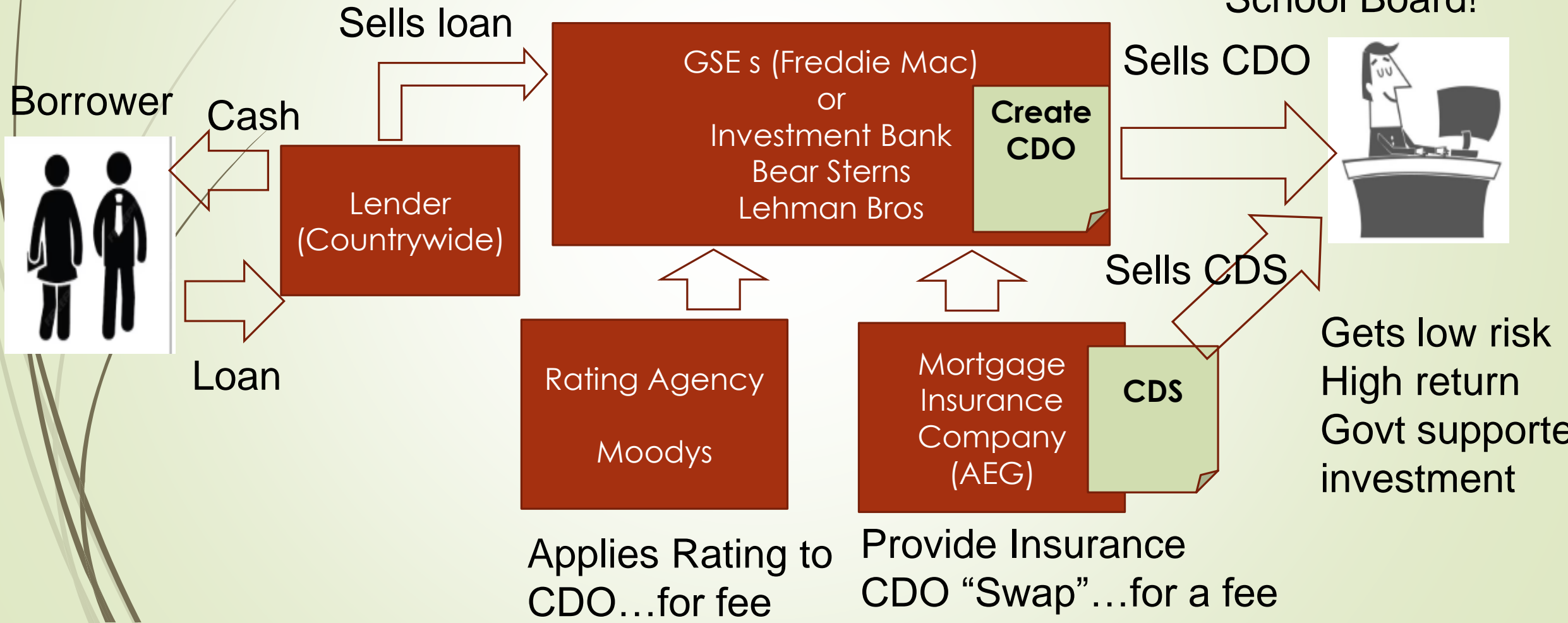


New Economy 2001-2006

The "New Economy"—Risk Elimination

Creates portfolio
Bundle Prime/Sub prime
Create Collateral Debt Obligation

Pension Fund
Local Governments
Global Investor
School Board!



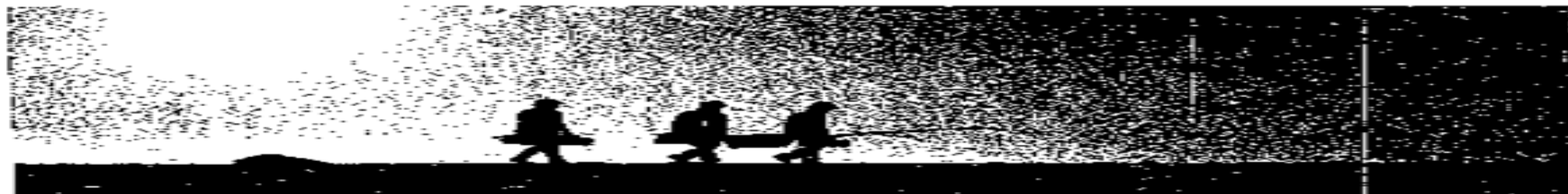
EVERYONE A WINNER

- ▶ Lender WINS from loan fees, avoids risk by selling on loan
- ▶ Investment Bank WINS by selling CDO's (300,000+ mortgages) to Investors
- ▶ Ratings Agency WINS by charging fees to rate CDO's..more \$ higher rating
- ▶ Insurance Company WINS by selling CDS ...high return..."Implied Guarantee"
- ▶ Investor WINS...real estate prices will always go up

EVERYONE A WINNER!

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Ownership Society culture



*“And, hey, don’t kill yourself trying to pay it back.
You know our motto—‘What the hell, it’s only money.’”*

Colossal “New Economy emerges”based on resale of sub prime US debt

	2000	2007
CDO's in circulation up 600%	\$200 BN	\$1.2 TN
CDS (net notional value)	\$125BN	\$4.0 TN
Mortgage Debt	£3.5 TN	\$6.0 TN
Sub Prime inventory doubles	4%	8%
Sub prime new loans triple	5%	17%

US Home ownership increases from 60% 65%, Black from 44% to 50%

Global Investors rush in to purchase US Mortgage backed securities

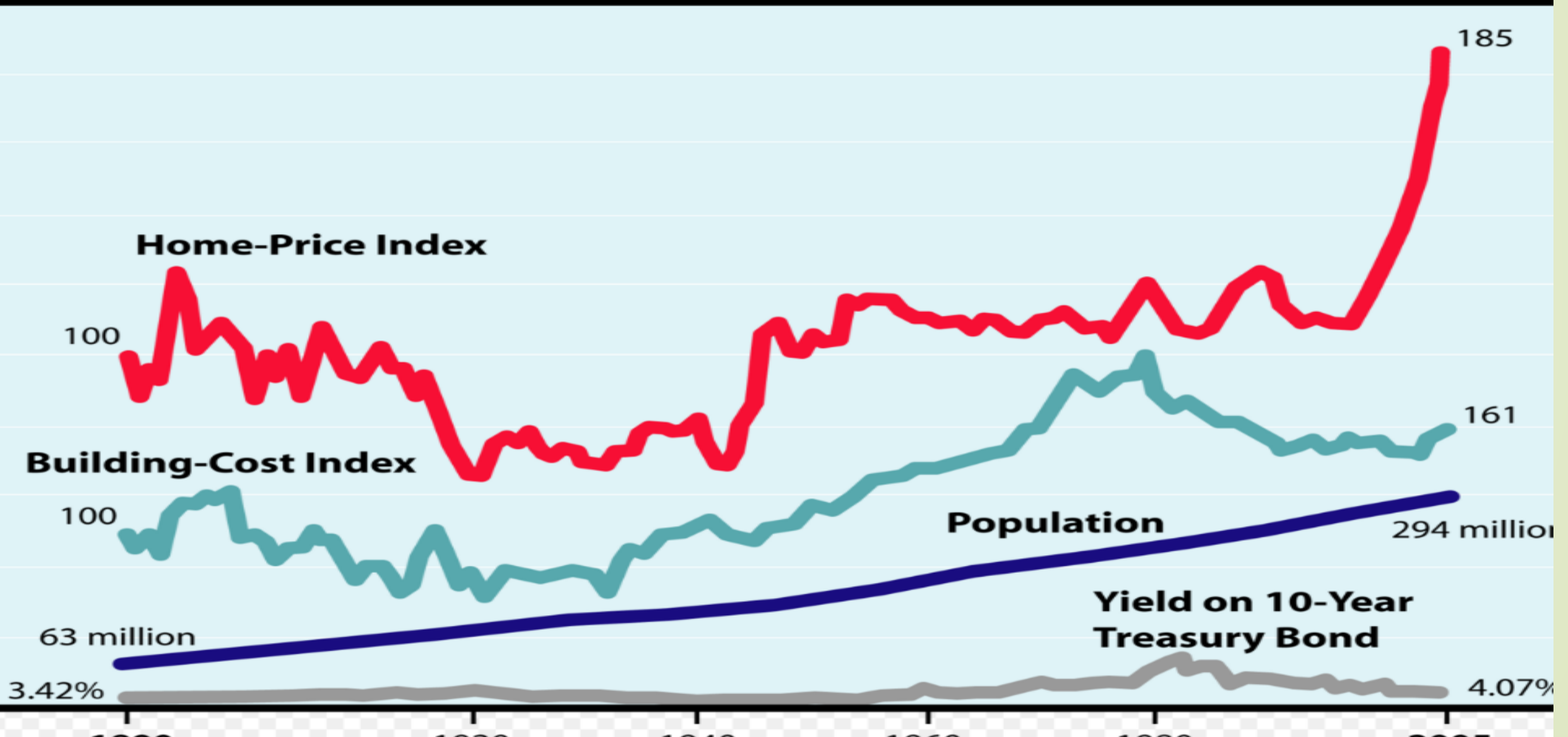


Everybody wins as long as prices keep rising



And they do!

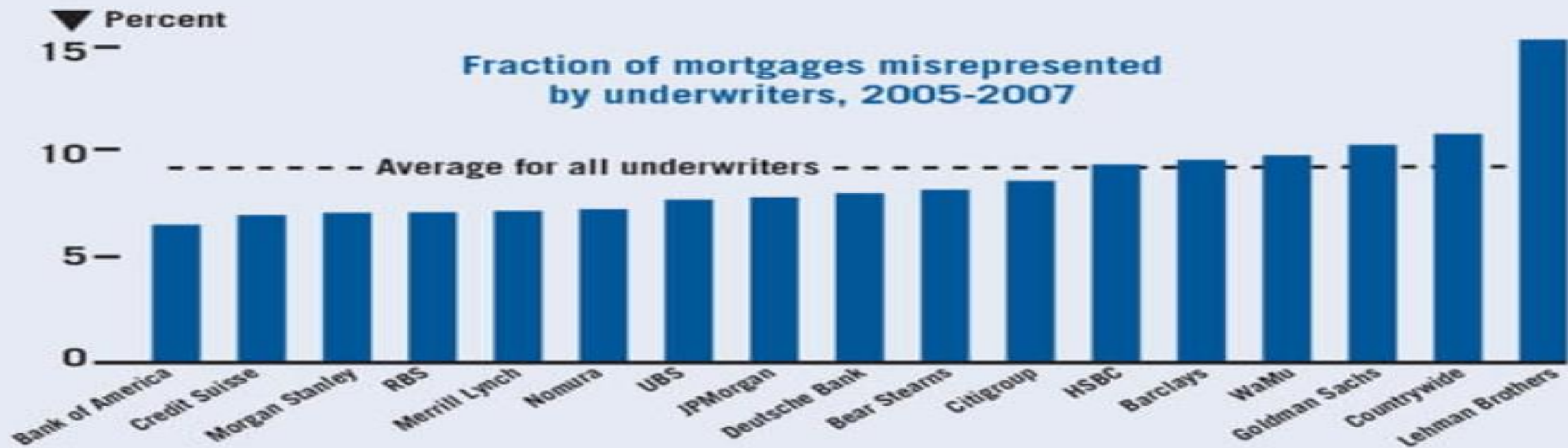
Inflation-adjusted U.S. home prices, Population, Building costs, and Bond yields (1890–2005)



Supported by fictitious credit ratings
.....everyone a Winner!

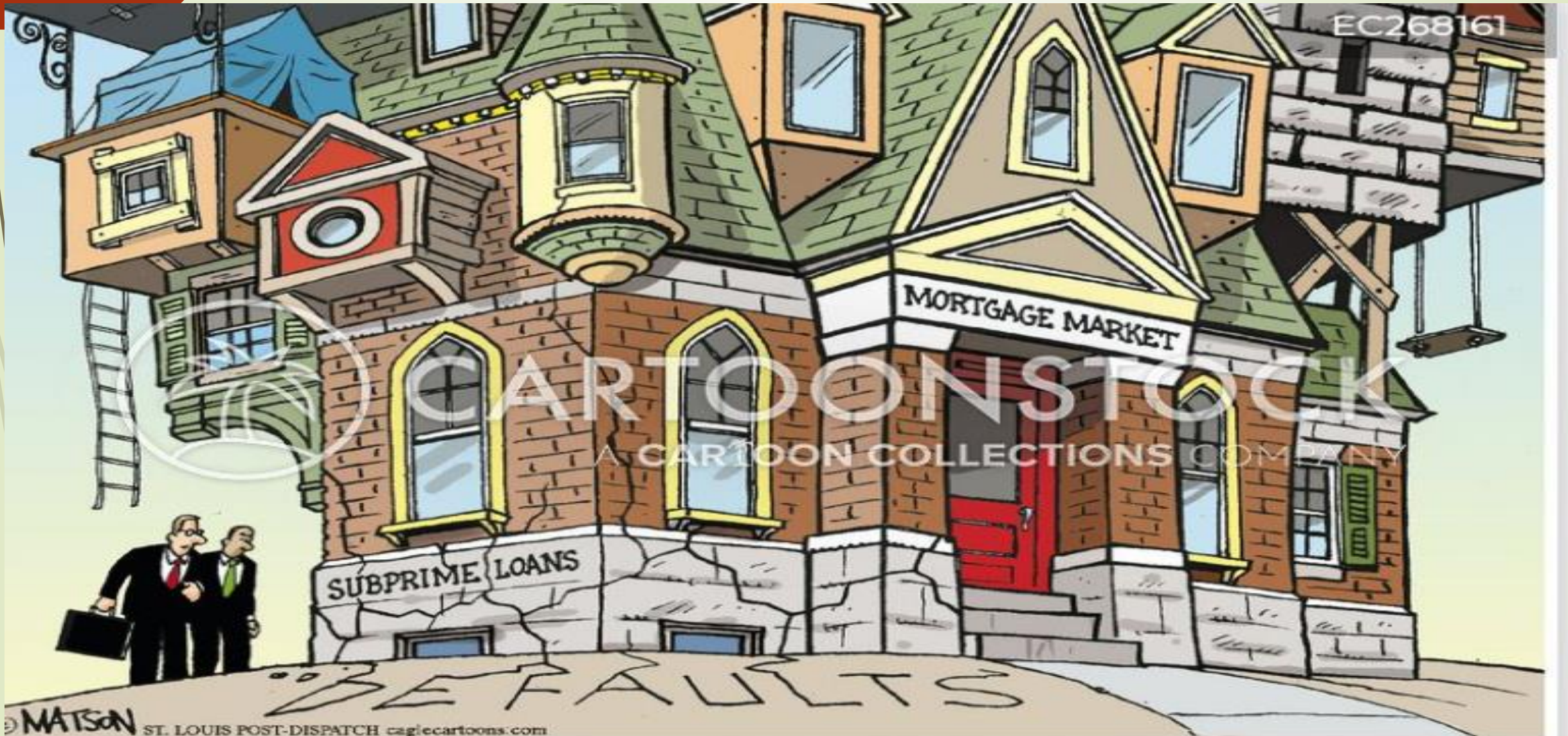
Underwritten and oversold

During the housing bubble, underwriters misrepresented approximately one in 10 loans.



Source: Piskorski, Seru, and Witkin, 2013

Not everyone convinced



"A FEW CRACKS IN THE BASEMENT, BUT OTHERWISE STRUCTURALLY SOUND."



Doubts begin to grow

But only a few
.. "Short Positions"
.. Will make \$Bns
...subject to ridicule

Greenspan retires
2006 a national hero

By 2004 economy
Looks great



2004 Presidential Election



Intermission

The 2004 Presidential Election Issues

- Wars in Iraq, Afghanistan main issues
 - GW Bush still popular
 - 70% believe WMD will be found and support Iraq war
 - “Rally round the flag” phenomena
- Economy in good shape
 - Low inflation for goods and services
 - Rising house prices
 - Low unemployment
- Domestic reforms popular
 - Tax Cuts/ Education Reforms/Easy credit

The Nomination Campaign

- ▶ Republicans: Bush and Cheney renominated without opposition
 - ▶ Appeal to patriotism & need to support the leadership
 - ▶ Win the War on Terror & find WMD
 - ▶ Privatised Social Security/ expand health insurance
 - ▶ Ongoing tax cuts
- ▶ Democrats
 - ▶ Competitive election
 - ▶ John Kerry Vietnam war hero wins nomination
 - ▶ Iraq war mistake, Bush lied...US to exit
 - ▶ Tax cuts benefited the wealthy only, deficits out of control,

John Kerry (1943....)

John Kerry 2004



Father naval officer, mother
Forbes family great wealth
Sailing with the Kennedys

Enlists in US Navy
Wants to get to fighting
Joins "Swift Boats"

Wins Silver Star for bravery,
Wounded, returns to US joins
Anti war movement

Goes into politics
Mass Lieutenant Governor 1983-85
Massachusetts Senator 1983-2005

John Kerry before War Commission 1971

....returns angry young man...describes atrocities by US Army



gettyimages®
Credit: Bettmann

Swiftboats....river warfare



gettyimages®

Credit: Rolls Press/Popperfoto

The Campaign

- The military record issue dwarfs domestic issues
 - GW Bush “service” ...defending Texas, preferential hero
 - Kerry War Hero....led charge vs Vietcong position, saved wounded sailor
 - Kerry accused of “flip flop” ...voted for war then opposed it (WMD issue)
- “Swift Boat Veterans for Truth “ campaign
 - \$22m smear campaign, medals not earned, 1971 Testimony “unpatriotic”
 - Revealed as Republican funded.....”witnesses” paid, stories fabricated
 - Kerry’s war comrades testify on his behalf...but ignored by Media

“Swift boating” campaign successful....GW Bush 8 point lead

2004 Election Results

Bush lead erodes

.....Bin Laden "taunting vid

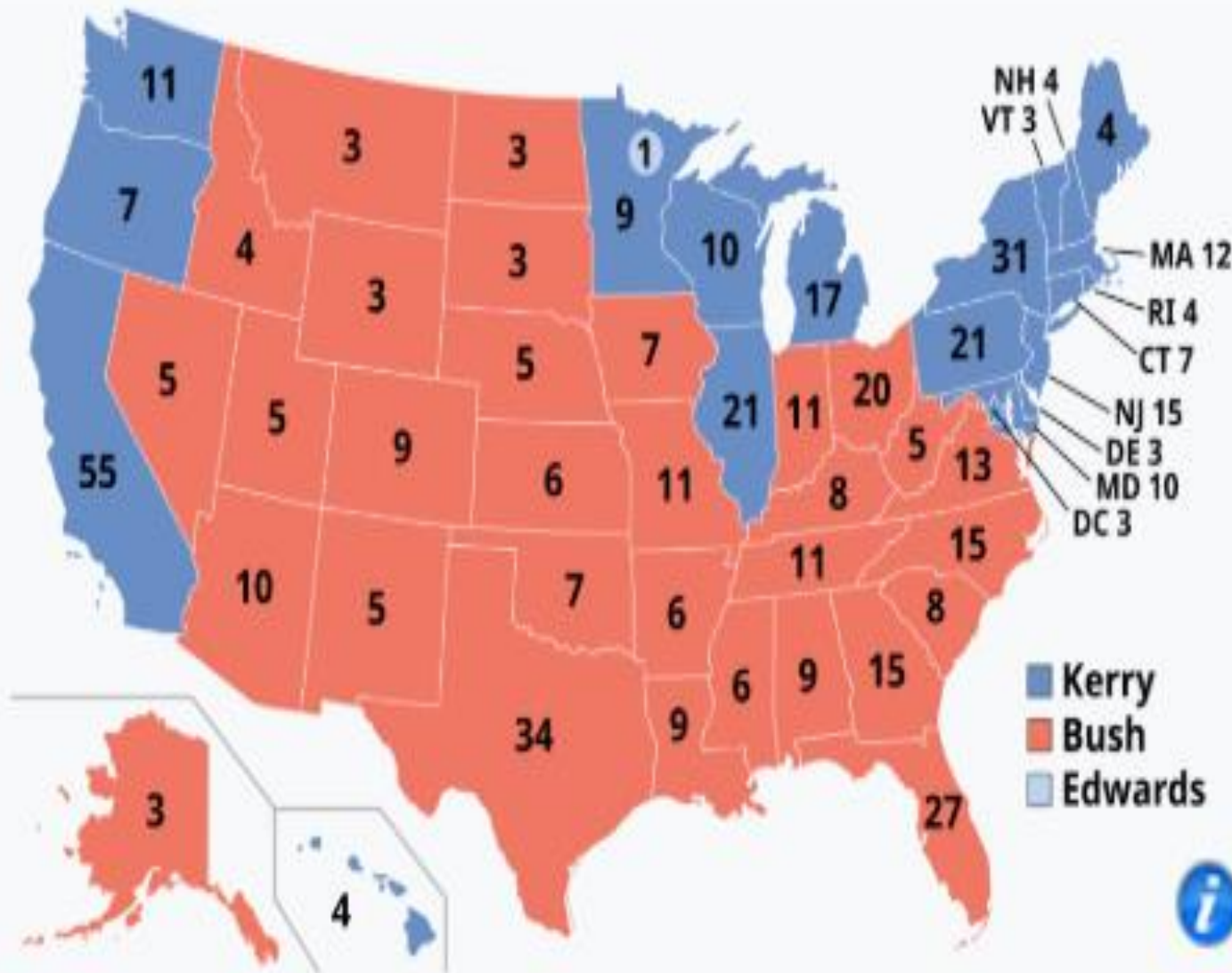
....No WMD's

GW Bush wins

51% vote 48% public vote

286- 251 Electoral votes

Republicans hold Senate
& House...no opposition



George W Bush 2005

George and Laura Pennsylvania avenue



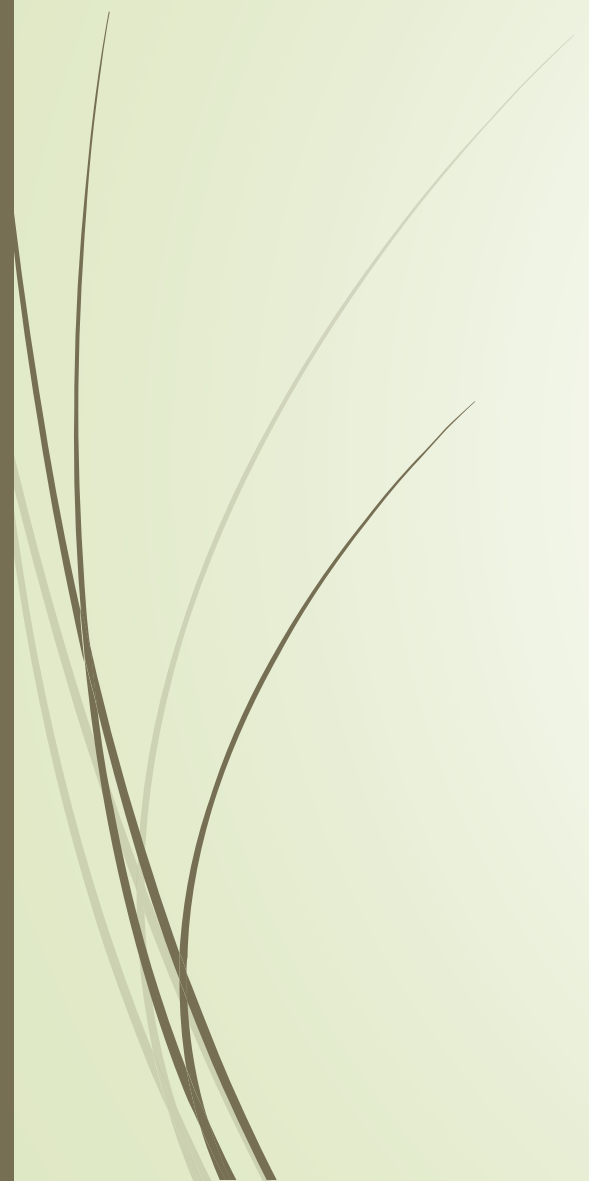
- Popular support for war high
....but waning
- Economy growing
- House prices soaring
- Everything looking Good

Until it wasn't

Bush Second Term Ambitions“Compassionate Conservatism”

- ➔ Privatised Social Security: transfer pensions to stock market
- ➔ Expand Medicare : raise minimum earnings to provide low cost health
- ➔ Reform Immigration: Guest Worker Programme with Mexico
- ➔ Find WMD and kill Bin Laden

August 2005 Hurricane Forming in Gulf of Mexico
...category 3 and considered “normal”



Hurricane Katrina

August 2005....enter Hurrian Katrina
.....Katrina intensifies to category 5
....direct hit New Orleans



New Orleans levees break



80% New Orleans under water

...350,000 evacuate, 150,000 refuse/ cannot move

SELECTED INFRASTRUCTURE

- ▲ Hospitals/medical facilities
- Schools
- Courts
- Police
- Extent of flooding on Sept. 2

0 Miles 2

Lake Pontchartrain

Lakeshore

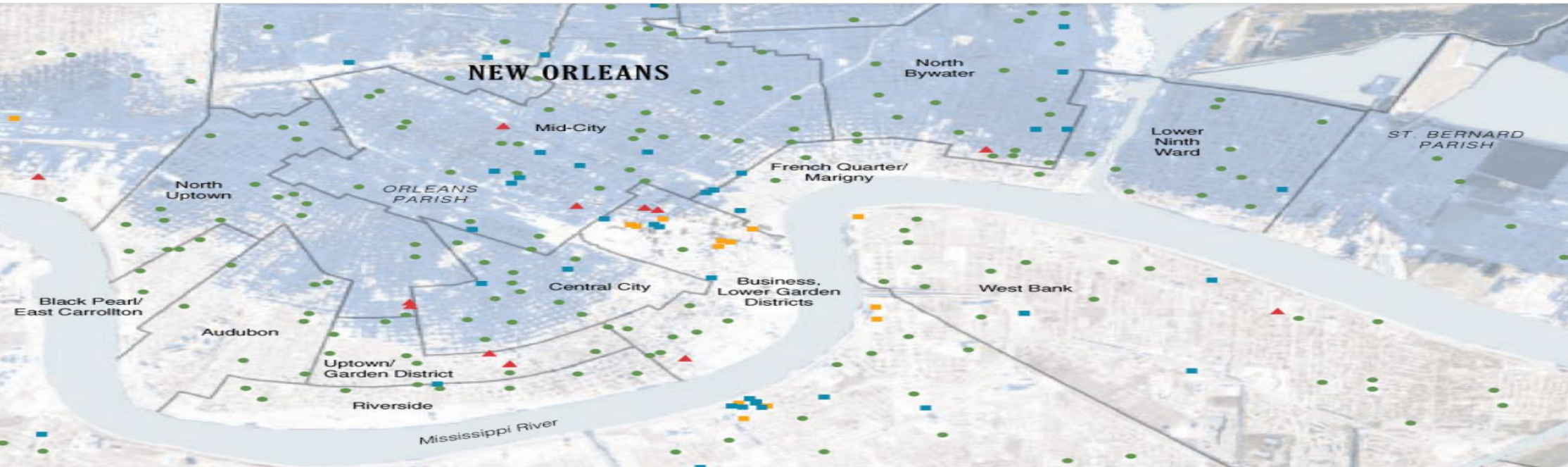
Gentilly

East New Orleans

U.S. | From the Graphics Archive: Mapping Katrina and Its Aftermath



NEW ORLEANS











A city submerged...Superdome mass housing centre



The picture that destroyed Presidency

....Bush returning from working holiday

....Looking down....did not want to interfere



gettyimages
Credit: JIM WATSON

View from the window



Hurricane Katrina Impact

- 1,800 deaths, \$125BN in damage, 1,000,000 homeless
- Emergency services overwhelmed/ Slow uncoordinated response
- Lower income & minorities & elderly hardest hit
 - No food, water for days...”desperation looting”
 - Mass housing in Sport Arena....deterioration in conditions
- News media hyperbolize.....fuel racist tropes by
 - Snipers . Mass killings Superdome , Blacks rampant across streets

Widespread destruction/ lawlessness



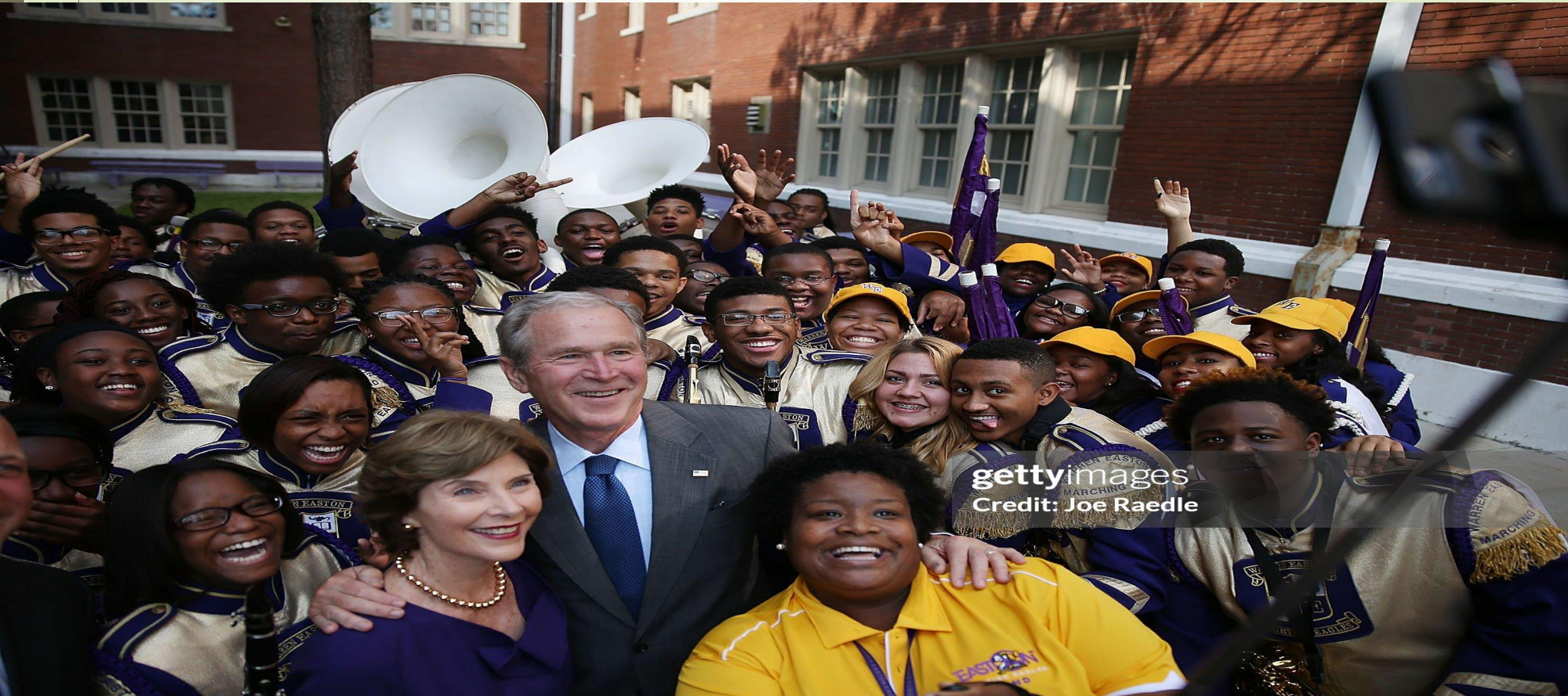
Overwhelming negative reaction vs GW Bush



Recovery continues for months



Compassionate, but too Conservative
...too little, too late, too slow



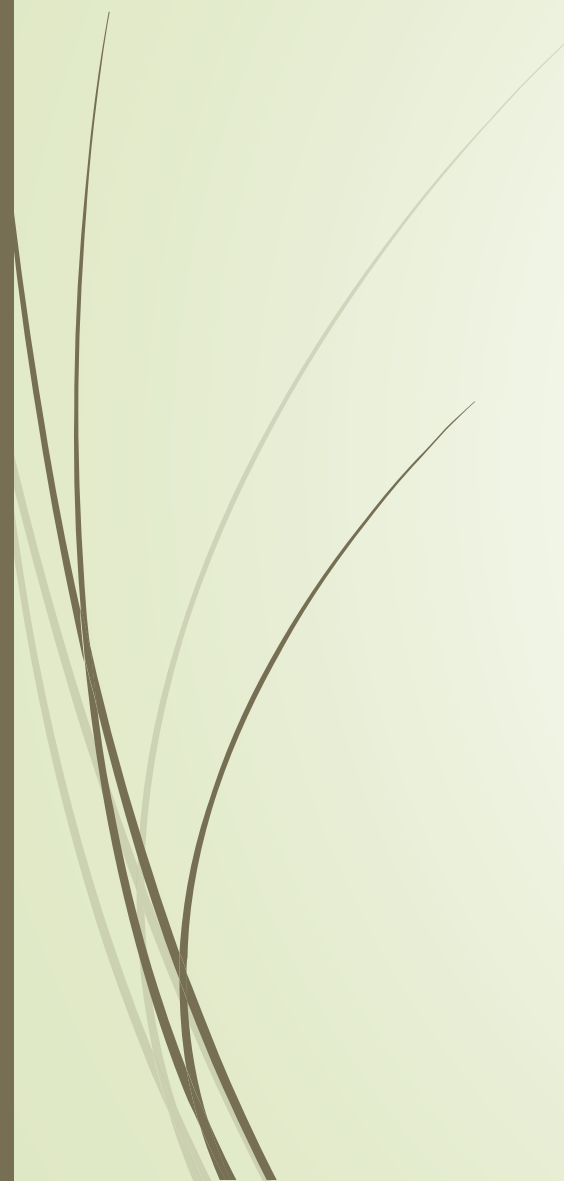
Aftermath and Impact

- ▶ Trust in government eroded
 - ▶ Administration too slow to respond/ to quick to congratulate emergency services
 - ▶ High negative public response: Bush depicted as detached, indifferent
 - ▶ GW Bush approval rating collapses from 80% to 40%
- ▶ Response massive but late
 - ▶ National Guard, Army Corps of engineers deployed
 - ▶ \$100BN aid by Government, engineering works,
 - ▶ 25% population reduction in New Orleans population (350,000..2020)

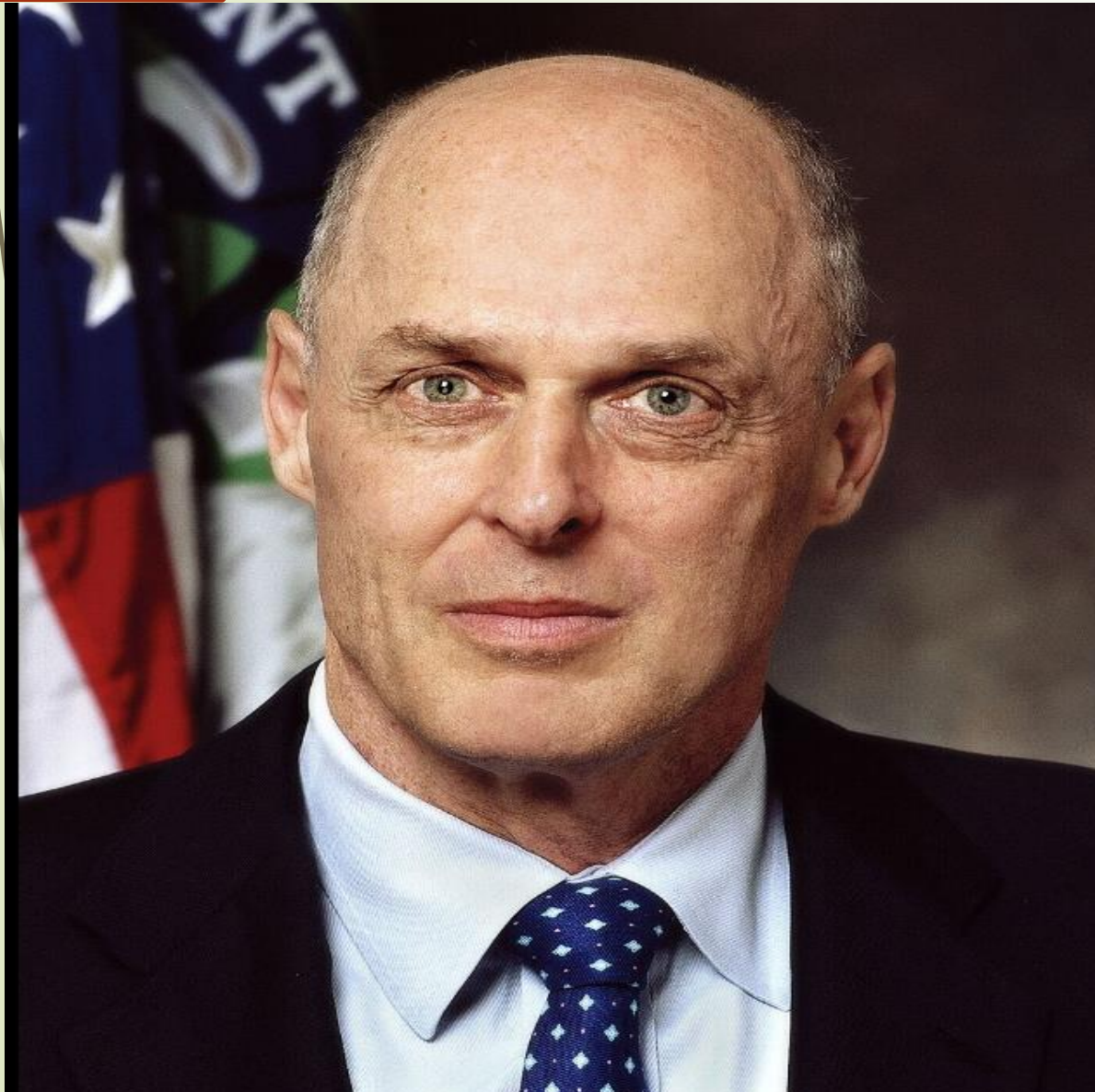
Financial “Hurricane” even more devastating about to “land”



Financial Collapse



George Bush "2nd Term Financial Team: Secretary of Treasury: Hank Paulson:



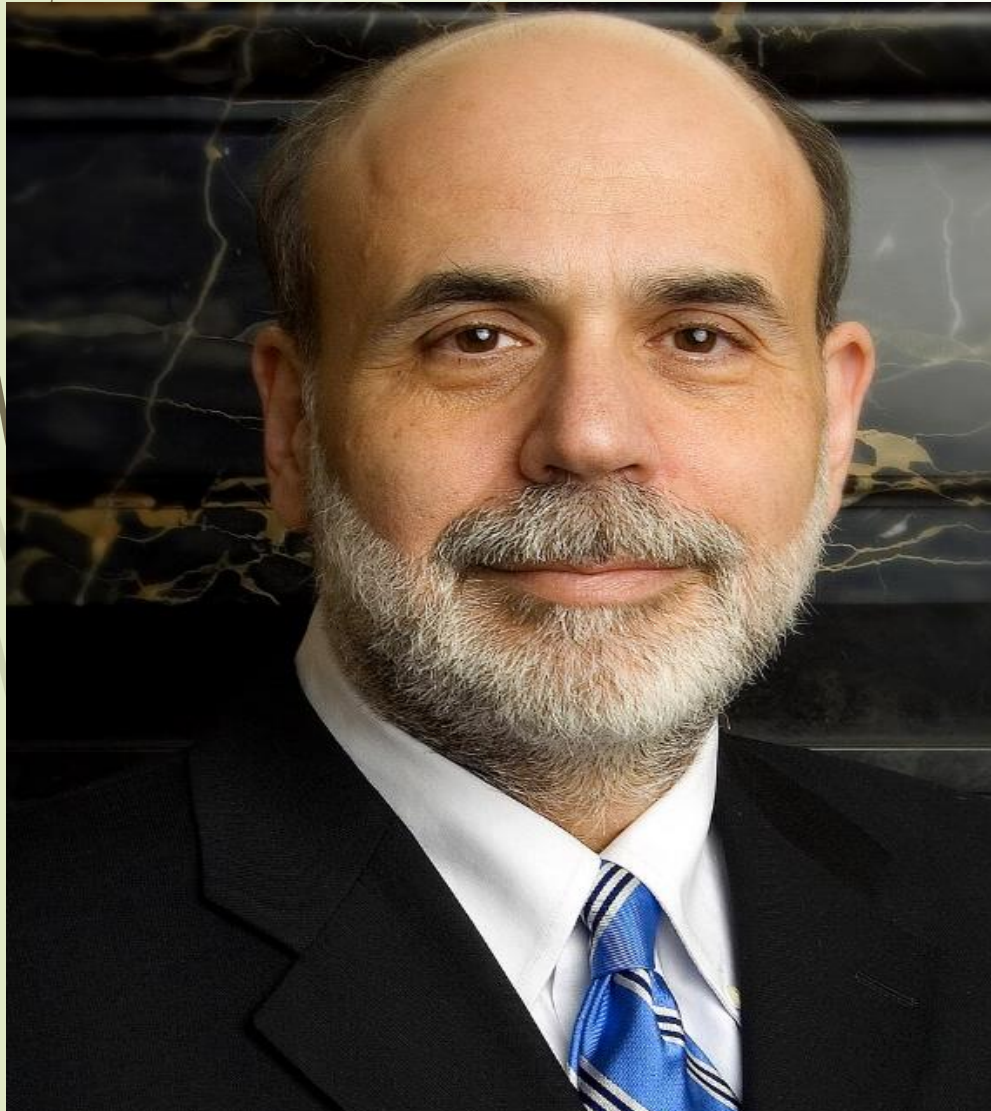
Greenspan retires
Author ...book "Age of Turbulence"
...celebration of himself and success
of New Economy...

Paulson Banker Goldman Sachs CEO
.....Replaces Greenspan 2006
.....Abrasive, intense, workaholic
....not political correct

Staunch conservative committed to
de-regulation/ New Economy...but also
Deeply pragmatic and able to accept change

About to become the most powerful and
Influential man in US and Western world.

Ben Bernanke Chairman Federal Reserve



- Professor of Economics Princeton
- Proposed “Great Moderation Theory” 2004New Economy contains built in stabilisers
 - ...market volatility cannot recur
- Appointed Chairman Fed Reserve 2006
 - a political public servant
 - Analytical non ideological

Neither predicted what was about to happen

Portents of catastrophe

➤ 2006

- US House Prices peak.....begin to fall
- Short term interest rates exceed long term rates
- November UBS (Swiss Bank) warns of impending US house price collapse
- First generation “Teaser Rates” expire...mortgage costs double

➤ 2007

- First round of US Lenders go bankrupt (New Century, American Mortgage)
- French (BNP) begin reducing investment in US MBS
- German Deutsche Bank bailed out by Government...blame US sub prime
- US house prices fall 5%.... surge in loan delinquencies

New Finance Team in place, confident market will self correct

The Crash of 2008: the first dominoes

- January – March global stock markets begin to fall
- US house price fall accelerates/ delinquencies rise
- Foreclosures triple from 50,000 month to 150,000 mid 2008
- Sub prime market begins to implode as delinquencies increase
- 8th largest US Investment Bank issues warning it is about to collapse

Pressure rises on banking system

....loan to capital rates increase, rush to cash

“Bank Run US Style”



Bank Run British Style: Northern Rock Sept 2007

.....prime cause UK “non conforming loans”



Collapse of Bear Stearns March 2008

NY Headquarters



Founded 1925 as private bank

Goes public 1985, Top 5 US Investment Bank 200

“most admired US Security Firm” Forbes magazine

Late 2007 Investors begin withdrawing funds

....sub prime market starts to collapse

....Share price falls from \$170 (June) to \$60 (Jan)

March 2008 Hank Paulsen to rescue

....arranges sale to JP Morgan for \$2 a share

...13,000 employees fired, shareholders ruined

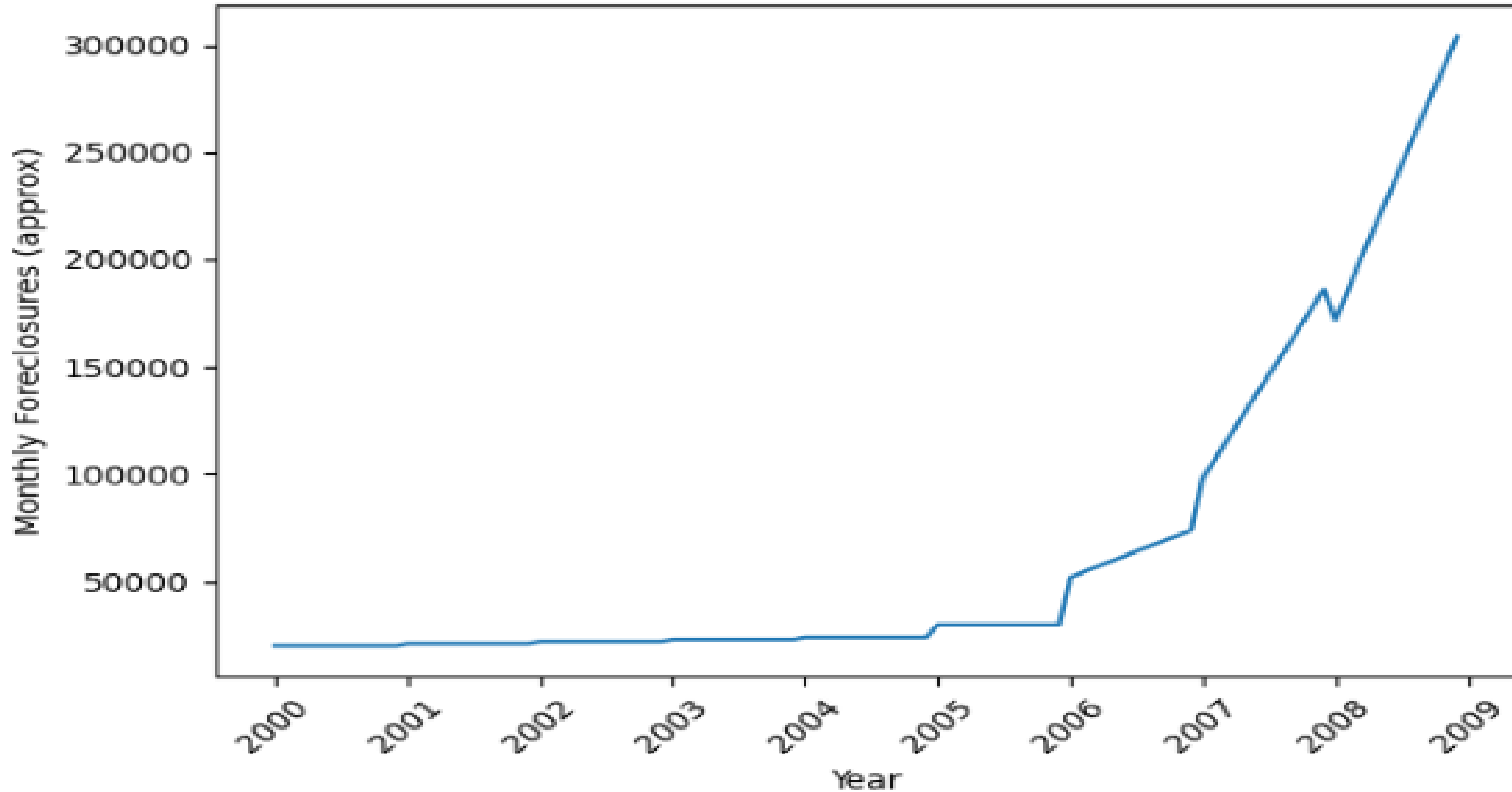
....CEO gets \$25m pay-out

Paulson:: “It's a safe banking system, a sound banking system. Our regulators are on top of it. This is a very manageable situation.”¹

It wasn't

US home foreclosures increase exponentially

U.S. Home Foreclosures (Monthly Trend Approximation, 2000-2008)

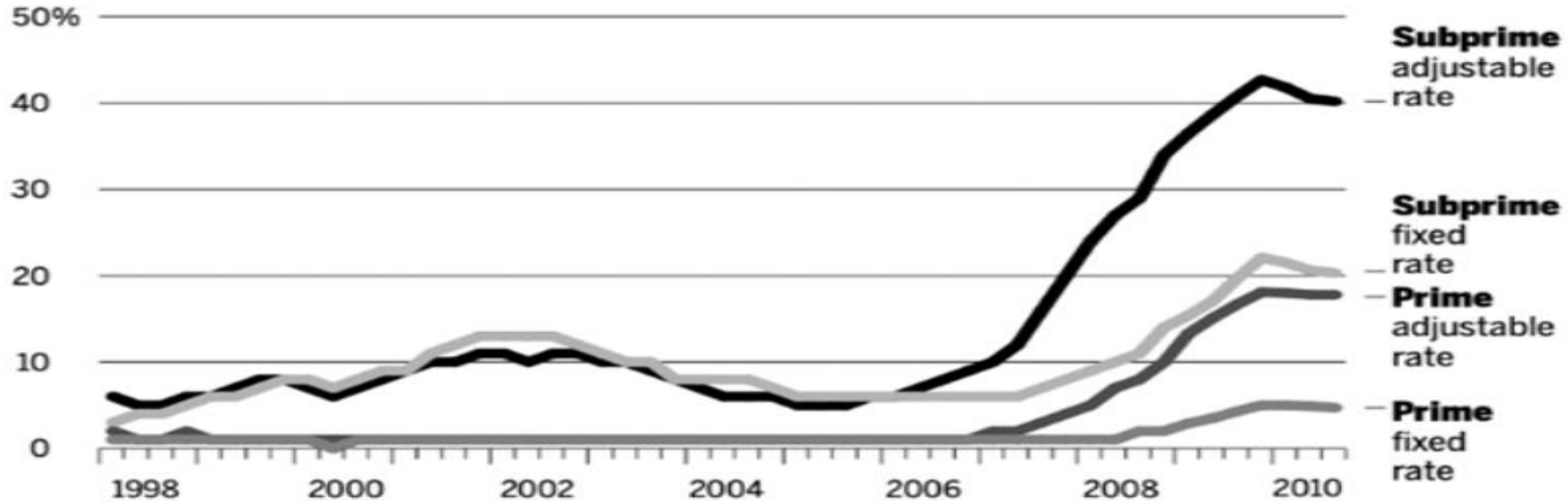


Delinquencies take off

Mortgage Delinquencies by Loan Type

Serious delinquencies started earlier and were substantially higher among subprime adjustable-rate loans, compared with other loan types.

IN PERCENT, BY TYPE



NOTE: Serious delinquencies include mortgages 90 days or more past due and those in foreclosure.

SOURCE: Mortgage Bankers Association National Delinquency Survey

The crisis intensifies June - September

- 
- ▶ Economic conditions deteriorate....at increasing speed
 - ▶ house prices fall 10%, foreclosures double to 100,000 per month
 - ▶ Unemployment rises 2.6 million from 4% to 7%
 - ▶ August GSE's predict imminent collapse
 - ▶ September 7th Paulson arranges \$200Bn government rescue
 - ▶ GSE's put into "public conservatorship" (nationalised)
 - ▶ September 15th Lehman Brothers Investment announces \$10BN loss

The trouble with Lehman Brothers

Lehman NY Headquarters



- Origins:
 - 1899 Investment Bank
 - 2000...enters MBS market
- Boom Years 2000-2007
 - Assets triple from \$200BN - \$700BN
 - Leverage increase 24:1 to 31:1
 - Third largest US Investment Bank
- Collapse:
 - Rising loan delinquencies
 - March announces \$7BN losses
 - Paulson to arrange sale

Lehman Brothers collapse



Paulson intervention

...want rescue private sector

...no US bank wants toxic assets

The Barclays Gambit

...Paulson confident whole bank sale

...believes deal in place

UK Government reject deal

...Barclays instructed to exit

...Buy prime loans only

Lehman brothers bankrupt Sept 18th

Meltdown September 16-19th

The View post Lehman collapse



US Financial System starts to collapse
....Largest Insurer predicts bankruptcy
....Multiple banks threaten shut down
....World wide credit systems freeze

Bernanke/ Paulson... "shared epiphany"
....Financial system collapse imminent
...Private Sector will **NOT** correct itself
...Plan B needed in days

US Government **MUST**
....."nationalise" banking system"
.....retain vibrant Banking industry



The Deal and its consequences

The problem: Need approval Divided Congress ...in the middle of a Presidential Election



A Deal is created

- ➔ September 17th-18th The Deal proposed
 - ➔ Banks to be publicly owned via up to \$800BN Government investment
 - ➔ Banks to reduce bonuses, curtail pay
- ➔ September 18th -20th Plan Rejected
 - ➔ Bank refuse to cooperate...eat competition, interference, retain staff
 - ➔ Republicans: Government **IS** the problem, market to correct,
 - ➔ Democrats: Protect public, punish bankers, regulate the industry

Bernanke/ Paulson demand meeting with Joint Congress

September 20th Finance meets Congress



Paulson

Nancy Pelosi
(Speaker)

Bernanke

Bernanke “Economy to collapse In 72 hours”

Senator Shelby : too rushed.....Congress can't fix a toilet In 72 hours

Paulson: “Heaven help us It is doesn't pass”

Republican candidate John McCain "I have a plan
Democrat candidate ...bail out for bankers

GW Bush summons Candidates to White House

September 25th White House GW and candidates.

John McCain



Barack
Obama

gettyimages®
Credit: Mark Wilson.....

83009484

Problem: GW unpopular
finished, exit January
Deal must last years

GW message:

...Support deal or get
Great Depression

...your Presidency destroy

GW to McCain: what is yo
plan?No response

GW to Obama

....has studied plan

...Accepts deal

Confronting the Abyss

- September 29th Congress rejects deal
- US Stock Markets collapse
 - Dow Jones drops 800 points 8%
 - Biggest one day drop since 1929
 - US Economy shrinks by \$1 Trillion in one day
- World Stock Markets collapse
- World Credit markets freeze, International Trade stops

September 29th...October 3rd negotiations intensify
.....Paulson “panic attack”



World wide panic...UK



THIS PAPER COSTS JUST..
30p

WE'VE WON NO ENDER GONGS
SEE TV & RAZ PULLOUT



Tax pledge... George Osborne
Osborne in council tax freeze

By GEORGE PASCOE-WATSON
THE Tories pledged yesterday to save families hundreds of pounds if they win power - by freezing council tax bills for **TWO YEARS**.
Chairs greeted the plan as it was unveiled by Shadow Chancellor George Osborne at the Conservative annual conference in Birmingham.
Full Story - Pages Six & Seven



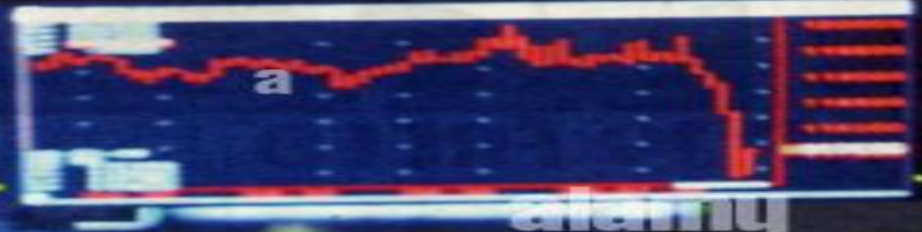
Camera... held MI6 secrets
Al-Qaeda files sold on eBay

EXCLUSIVE by ANTHONY FRANCE
A TOP MI6 agent left secrets about al-Qaeda on a digital camera he sold for £17 on eBay.
An innocent deliveryman who bought the Nikon on the auction website found names, phone numbers and e-mails of

WORLD HOLDS ITS BREATH

BLACKEST

350	- 3800	
10180	100200	5
10125	100225	67
200	- 7275	
185	215	25



Chaos after £400bn US bail-out rejected



By IAN KING, Business Editor
STOCK markets crashed world-wide yesterday as US politicians rejected a £400-billion plan to bail out its financial system.
On Wall Street, the Dow Jones was down 777 points - its largest one-day drop in history ever, higher than after the 9/11.
Continued on Page Four

MONDAY

Final Negotiations

Paulson appeals and threatens banks

- Banks that fail to participate will face severe consequences in the form of market penalties and possibly government intervention anyway.”
- “You can accept the money and continue to operate, or refuse and face the consequences. It’s that simple.”
- Implicitly allows Banks to retain freedom to pay bonuses/ contracts to staff
- Paulson & Bernanke to Congress: “Markets under severe stress.risk of cascading failures in the financial system “
- GW Bush.....”Congress must act....cannot allow financial system to collapse”

Bill resubmitted to Congress October 1st

October 3rd: Agreement Secured



Consequences

Banks recapitalised, Markets stabilise,

- ▶ Stock market recovers/ Banks resume lending
- ▶ Recession continues but Depression avoided
 - ▶ Unemployment rises to 10% (25% in Great Depression)
 - ▶ Economy shrinks 5% (vs 30% Great Depression)
 - ▶ House prices fall 20% , foreclosures continue...10 million to lose homes
- ▶ A Divided Nation
 - ▶ The “Deal”: a sell out to the banks/ Government take over
 - ▶ “New Economy”: a fraud
 - ▶ Conspiracy Theories



GW Bush Legacy

Decent man, failed President

State of Nation weakened

- 2000 economy booming, at peace, deficit under control
- 2008: Recession, “forever wars”, deficit out of control

➤ Critique:

- Benign neglect of economy allowed disaster
- Delegation to ideologues: Neocons foreign policy Greenspan economy
- Detached and slow to respond to Katrina

➤ Offset by “Compassion and Decency”

- Leadership during 9/11 exemplary
- Global Aids initiative saved lives of millions
- Overcomes conservative bias to secure agreement that saved the economy

Great President one who prevents chaos, not minimize it

Next Talk: The Politics of Hope

.....Obama Presidency Monday April 20th 10:00 am

