



GEORGE LET PLUNGE SLIP

By JOHN CRUDELE

June 27, 2006 -- **GEORGE Stephanopoulos** knows all about the Plunge Protection Team, the secretive organization made up of Wall Street bankers and top administration officials whose job it is to come to the rescue of a faltering stock market.

Here's the bombshell statement that an obviously nervous Stephanopoulos, once **President Clinton's** senior adviser on policy and strategy, delivered on ABC's "Good Morning America" on Sept. 17, 2001 - the day the stock market reopened after being shut for nearly a week because of the 9/11 terrorist attacks.

The statement was barely noticed in the excitement of that time, so I will quote it here in full.

I'm also citing it verbatim because Stephanopoulos blurted it out in the heat of that moment (stocks were struggling that morning) and because no other person with firsthand knowledge of this organization is likely to ever repeat these words.

"And perhaps the most important, there's been - the Fed in 1989 created what is called the Plunge Protection Team, which is the Federal Reserve, big major banks, representatives of the New York Stock Exchange and the other exchanges, and there - they have been meeting informally so far, and they have kind of an informal agreement among major banks to come in and start to buy stock if there appears to be a problem.

"They have, in the past, acted more formally.

"I don't know if you remember, but in 1998, there was a crisis called the Long Term Capital crisis. It was a major currency trader and there was a global currency crisis. And they, at the guidance of the Fed, all of the banks got together when that started to collapse and propped up the currency markets. And they have plans in place to consider that if the stock markets start to fall."

The most important line is the one about the "informal agreement among major banks to come in and start to buy stock if there appears to be a problem."

Over the last month I've outlined in this column how **Robert Heller**, a Federal Reserve governor, proposed in 1989 that the central bank prop up the stock market in times of crisis by purchasing stock index futures contracts.

I've also contended, and Stephanopoulos confirms, that these rescue missions were not undertaken by the government itself - although off-balance-sheet funds are available - but by Wall Street firms acting as fronts for Washington.

Stephanopoulos didn't return calls for comment.

The Plunge Protection Team, first revealed in a Washington Post story, seems to have been born on March 18, 1988, when President Reagan signed Executive Order 12631 establishing a Working Group on Financial Markets that included the chairmen of the various stock exchanges, the chairman and governors of the Federal Reserve, and the secretary of the U.S. Treasury, who was also the chairman.

Nowhere does the order mention the heads of private banks or Wall Street firms, although the group

is encouraged to "consult, as appropriate, with representatives of the various exchanges, clearinghouses, self-regulatory bodies and with major market participants" when trouble crops up.

Nor does the order say that this group can buy stocks to prop up the financial markets, like Stephanopoulos said it was doing.

The purpose of the working group, the order says, is enhancing "the integrity, efficiency, orderliness, and competitiveness of our nation's financial markets and maintaining investor confidence." And what better way to make investors confident than to assure that the stock market will not crash?

So what does this all mean? Simply, that without our knowledge there's been a brave new world in investing for more than a decade. And this changes everything.

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