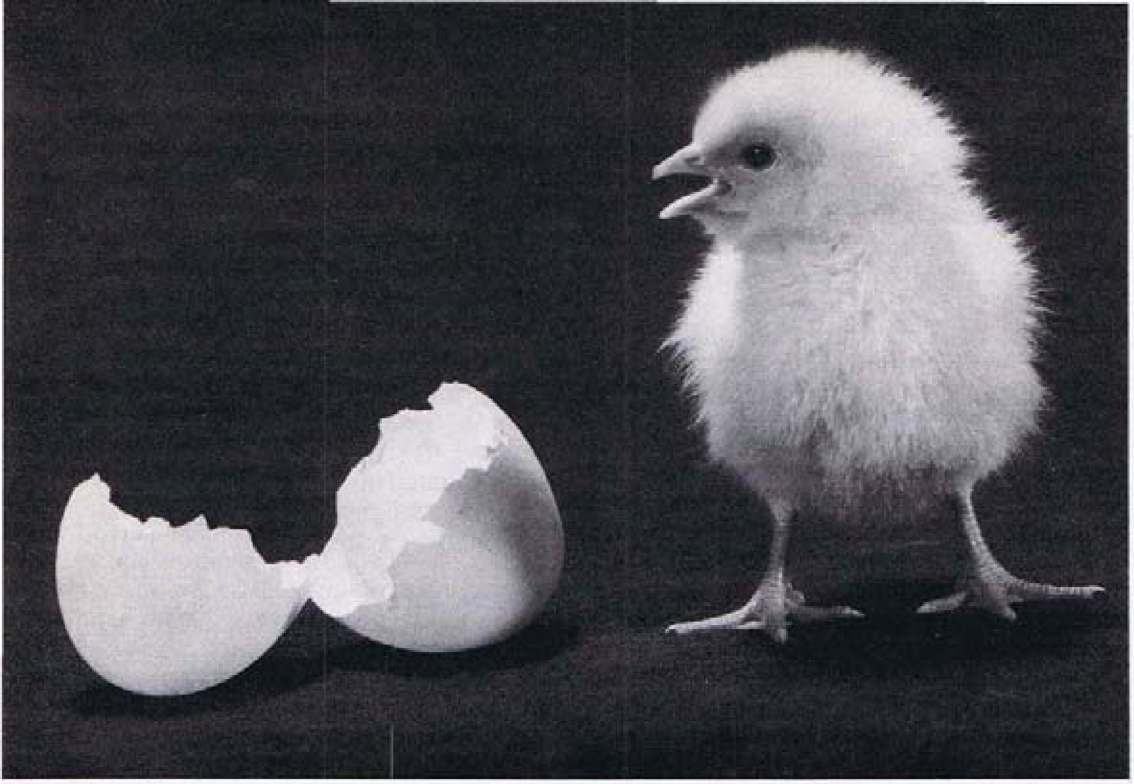

Harold M. Lambert

# MEGABANK$ MEGADEBT$

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■ THE Trilateral Commission met in Rome on April 19, 1983. Three days later there was a meeting in Washington of the gnomes of the International Monetary Fund and the World Bank. Within a week, on April twenty-ninth, top members of the Club of Rome were gathered. And all of these meetings were heavily guarded and held behind closed doors, as was the meeting of the Bilderberger elitists on May thirteenth. Then came the highly publicized International Economic Summit at Williamsburg, Virginia, on May twenth-eighth, closely followed in June by emergency meetings of the European Economic Community in Stuttgart, Germany. Something very important was happening — all in secret and all involving global banking and money. But what?

Consider the Williamsburg summit. The Establishment press covered everything from the gracious colonial ambience of old Williamsburg to how well President Reagan got along with other world potentates. But it failed to report one crucial piece of news, an item which should have merited headline treatment: The fact that the Reagan Administration had pledged the United States to contribute another *$50 billion* to the Rockefeller-dominated International Monetary Fund! While the American press either missed or deliberately covered up this shocking commitment, the secret promise made headlines in the *London Financial Times*.

Why were Americans kept ignorant of this move? Simple enough. If hard-pressed Americans had learned that their standard of living was to be reduced to bail out the big money-center banks and prop up corrupt socialist regimes overseas, their spirit of self-sacrifice might have proved very thin indeed. In fact, an enraged public might just have blackjacked a timid Congress into flushing the whole scam.

**The I.M.F. Bankscam**

As readers of this magazine have reason to be well aware, the expansion of the U.S. contribution to the International Monetary Fund is part of a scheme for bailing out the huge international banks that have overextended themselves by making high-risk loans to Communist and Third World governments. Conceived in 1944 by Communist agent Harry Dexter White and Fabian Socialist John Maynard Keynes, the I.M.F. acts as the F.D.I.C. of the world and funnels bailout funds to debtor governments which, all together, now owe Western banks and Western governments over $700 billion. The Big Banks have simply arranged for the U.S. taxpayers to "socialize their risks" by picking up the tab for bad loans. To facilitate this shift of the "Old Maid" from the private banks to the public treasury, the U.S. is asked again and again to increase its aid of the I.M.F.

Free Market economist Murray Rothbard notes that this "is really only a facade through which the Federal Reserve can flood the world with counterfeit dollars. The Keynesians are delighted by this step toward the achievement of their dream of a world central bank. Ideally, such a bank would print a world money unit which would be used by all nations. Since there would be no balance of payments problems or other checks associated with the abuse of an international currency, the world bank could print money forever — that is, there would be no check on world inflation."*

The U.S. Senate has already voted to appropriate a whopping $8.4 billion to the I.M.F., and now — in accordance with the script laid out by the banking *Insiders* — wants to extend that to a colossal $50 billion over the next couple of years!

Columnist Patrick Buchanan describes the situation as follows: "After two years of immense eco-

*By going to a One World currency and a world central bank, the One Worlders can avoid the nasty problems which characterize our present system of free-floating and competing national fiat currencies and fluctuating exchange rates — problems which result from governments and central banks debauching their currencies at different rates of inflation. If everyone had to use the One World fiat currency, it is reasoned, uneven monetary debauchery would not be showed up as it is now in the daily currency markets. There would be no currency markets — and everyone would experience uniform inflation. All currency would become equally worthless.

nomic hardship, we Americans have accumulated a savings pool upon which all our hopes of recovery depend. Why, when capitalism is desperate for credit, would intelligent capitalists ship their wealth off to subsidize any Communist and socialist failure?"

The answer to Mr. Buchanan's question, of course, is that the international bankers are not Free Market capitalists at all, and they are not shipping off *their* wealth to those socialist rat holes. They are using the power of Big Government to *force you and me* to bail out their bad loans for them. And Patrick Buchanan, who did not arrive in town perched atop a wagonload of pumpkins, knows this very well. He answers his own question with the following rhetorical interrogative:

"If this massive transfer of American capital to the IMF and the Third World is a wise, prudent investment, let us fairly ask: How much of the *personal* wealth of these affluent international bankers is invested in such loans? How much of David Rockefeller's *personal* wealth was sent down to Mexico City — along with the savings of his Chase Manhattan depositors — *after* the threatened August default? How much of Robert McNamara's *personal* wealth was sunk into the Tanzanian economy along with those hundreds of millions of American dollars he sent off to Julius Nyerere from his upholstered perch at the World Bank?

"If the IMF facility and the bank bailout — use your own terms — represent wise and prudent investments of our money, why don't the rich and powerful men demanding it put their personal fortunes on the line, alongside the savings of the rest of us? Let us prosper, or sink, together. Right?"

Americans are being ripped off by this international redistributionist game. If, in an attempt to keep interest rates from skyrocketing in the short term, the government just prints up more phony money for the bailout — or has the Fed "monetize" the foreign debts directly — that would accelerate dollar inflation with heavy losses to holders of dollar-denominated savings accounts, pension funds, insurance policies or other debt instruments. For every foreign government which is bailed out of its current debt obligations, there is a price to be exacted — and that price is charged to all holders of dollars via a shrinking of their purchasing power. In any case our liquid capital is being pillaged. Though the process may be arcane and obscure to many of its victims, it is nonetheless theft.

Furthermore, most of the "money" lent to foreign governments by the bankers never really existed in the first place. Under our government-sanctioned fractional-reserve banking practices, approximately six dollars may be lent for each dollar on deposit. The rulers of the Less Developed Countries (L.D.C.) receiving this loan money benefit since they get the new credit first. This "money" has already been spent into the world economy, driving up prices, while the bankers "earned" real interest on these phantom dollars. Because our government has guaranteed to repay these loans to the bankers, American citizens are obliged to assume these bad debts and to pay up in real (earned) dollars.

The banking *Insiders* expect us to pay and pay and pay.

### The N.I.E.O.

In an attempt to account for their continuing poverty, lack of development, and need for loans, the leaders of the Third World nations promulgate a notion called "neocolonialism" or "economic imperialism." According to this facile rationalism, the L.D.C.s are poor because the Western "capitalist" nations are affluent. This view, which is half-baked Marxism, is akin to concluding when we see a fat man standing beside a thin man that the fat man got that way by eating food belonging to the thin man. A call for redistribution of fat makes about as much sense as the call for the New International Monetary Order.*

Since the wealth of the developed Western nations is held to be responsible for the poverty in the L.D.C.s, the Third World leaders and socialist propagandists demand that this inequality between the developed and the underdeveloped nations be reduced or eliminated by global redistribution of the wealth. Here is the theme as summarized by India's Food Minister: "It is *obvious* that the developed nations can be held *responsible* for their [*the undeveloped nations'*] present plight. Developed nations, therefore, have a *duty* to help them. Whatever help is rendered to them now should not be regarded as charity but *deferred compensation* for what has been done to them in the past by the developed countries."

Based on this preposterous view, the N.I.E.O. was formally propounded in the "Declaration on the Establishment of a New International Economic Order," pushed through the United Nations by Third World and Communist representatives, and adopted by the General Assembly on May Day of 1974. This Declaration has gained increased importance in recent years with the growing debate over the L.D.C. debt crisis.

Calling for nothing short of a global Welfare State, the N.I.E.O. Declaration proposes that "the prevailing disparities in the world be banished . . . ." Three measures for attaining this are outlined in the manifesto. First, there must be a transfer of wealth from the industrialized, developed countries (of the "North") to the L.D.C.s of the "South" — including technological transfers as well as financial assets. Second, the Declaration calls for and encourages policies of nationalization by L.D.C. governments, describing this confiscation of foreign-owned private property as an "inalienable right"! Third, while it demands capital infusions from America and other Western nations, it encourages the erection of "protectionist policies" (read: trade barriers) against the developed countries.

None of these measures could bring about economic advancement in the poor countries of the world. They have been tried and have served only to perpetuate economic stagnation and worsen the plight of the Third World people. But the revolutionary fanaticism and envy of such Third World collectivists as Indira Gandhi of India is such that they wouldn't care if their own people starved to death as long as they could have the satisfaction of seeing their hated scapegoat, the United States of America, dragged down and punished for its former prosperity. The true impetus of social-

*For a thorough refutation of the N.I.E.O. and its absurd underlying assumptions, the reader is directed to "Assessing The New International Order: Prospects For Third World Development," by David Osterfeld, in the Spring-Summer 1982 issue of the *Journal Of Social, Political, And Economic Studies*. See also "Western Guilt And Third World Poverty" by P.T. Bauer, available for one dollar as a reprint from the Ethics And Public Policy Center, 1211 Connecticut Avenue, N.W., Washington, D.C. 20036.

**Not counting the Communist-controlled East Bloc, the Less Developed Nations alone owe foreign creditors more than $700 billion, including $300 billion to commercial banks. About thirty of these nations are "behind" on making even their interest payments, Brazil being the largest of the debt dominoes.**

ism is not a desire to help those in need, but to destroy or steal the wealth and well-being of those who have earned their capital through honest production and trade.

If L.D.C. partisans seriously desire to overcome their poverty and stagnation, they should not propose more restrictions on the marketplace; they should advocate the repeal and abolition of existing restrictions. But, by pressuring Congress to raise America's I.M.F. quota to $50 billion, the Reagan Administration is solidly behind the N.I.E.O. and its call for an international transfer of wealth. As Patrick Buchanan writes in his syndicated column:

"The ultimate in foreign-aid machinery is being created with the consent and complicity of a conservative American government, a machine beyond the erotic imaginings of the Brandt Commission and the Socialist International. The 'New International Economic Order' under which the black and brown nations of the socialist south have a permanent moral claim upon the wealth of the white and capitalist West is being created before our very eyes by the firm of Regan and Reagan, Architects."

And behind those "Architects" are the vested interests of the *Insiders* of international banking. The proposals of the N.I.E.O. and the Big Bank bailout fit together nicely. The irony is that while throwing this collectivist cant to the L.D.C.s is evidently intended to make them receptive to the bailout of the megabanks, it will only keep the L.C.D.s in perpetual and ever-deeper indebtedness. How will they ever get out of debt if they have to borrow more and more funds just to pay the interest on previously assumed debts?

### The Second-Wave Threat

Although the public has been given the impression that the L.D.C. debt crisis has passed, or has at least been contained by the experts, it has not gone away by any means. Just when many thought it was safe to go back into the financial waters, the "Second Wave" of potential Third World defaults is looming ominously. Despite signs of a pickup in the global economy, and various rescue efforts, the situation grows daily worse. It will take more than a little skill on the part of the bankers and bailout authorities to ride this latest wave without a crippling spill.

Increasingly strapped for funds with which to make their interest payments to the creditor banks, the foreign-debt junkies are pleading for and/or demanding another capital fix. *Newsweek* magazine for

May 30, 1983, dramatically illustrates the kind of behind-the-scenes panic that occurs when only one significant debtor nation begins to miss its interest payments:

"It was just before 3 o'clock on a brisk December afternoon when the computers in New York began to flash the alarm. Banco do Brasil, the commercial arm of the Brazilian central bank, was short more than $50 million on its obligations for the day — and unless the money was obtained within the next two hours South America's leading economic power would default on more than $80 billion of debt. Apocalyptic rumors swept the markets as panicky officials scrambled to raise new funds. In the end they succeeded when, after dozens of wires and phone calls, three American banks agreed to make a short-term loan. The world's financial system had survived another day."

And that was only one incident atop last year's Wave One. Wave Two promises to be even more hazardous. "The debt bomb is still ticking," warns an official who attended the annual meeting of the Bank for International Settlements held at Basel, Switzerland, in mid-June. Remember that, not counting the Communist-controlled countries of the East Bloc, the Less Developed Nations alone owe their foreign creditors more than $700 billion, including $300 billion to commercial banks. Already, about thirty of these nations are "behind" on making even their interest payments.

Brazil is the largest of the debt dominoes on the verge of toppling. With an inflation rate of 117 percent and one-third of its workforce unemployed, Brazil owes $90 billion to foreign banks and governments. Only a few months after the May financial scramble, in which Brazil had to borrow its way further into debt just to come up with interest payments, it was already in trouble again. Rumors that it was considering a declaration of unilateral default sent the price of gold up twenty dollars in less than an hour.

Although Brazilian officials quickly denied the rumors, it was clear that their nation had failed to adhere to the draconian austerity conditions agreed to in February in exchange for an I.M.F. rescue loan of $4.5 billion over three years. As a result, the I.M.F. dragged its feet in sending Brazil the second payment of that loan — $411 million originally scheduled for June. The austerity measures dictated by the I.M.F. are politically unpopular in Brazil, and there have been marches and riots in the streets of Rio and São Paolo as angry workers protest reduced paychecks.

Brazil desperately needed that $411 million installment from the I.M.F. to pay interest it owed on a debt obligation to the Bank for International Settlement (B.I.S.). But not until late July did the I.M.F. agree to provide the money, and then only after Brazil made policy concessions including an agreement to end inflation indexing of its economy. Another debt crisis had been postponed . . . to surface again soon.

Not only has Brazil borrowed against a full ninety-five percent of its 2.15 million-ounce gold reserve, it has reportedly even sold some of that gold to ease its cashflow crisis. Nevertheless, the country is still more than a billion dollars in arrears. And the situation continues to worsen as the once-proud South American nation founders in financial hopelessness. It could hit the reef within months, sending the world's financial community into chaos.

But of course many other countries are also on the brink of default. Mexico, which owes almost as much as Brazil, will need more loans this year — even though it received pledges of $10 billion from banks and other lending institutions earlier this year. No one knows where the new money will come from, or how it can be repaid. Sentiment is growing in Latin America for a total debt default or a moratorium.

**The Juggling Act**

While an orderly bailout of the Big Banks is being politically balanced on the backs of the American taxpayers, the debt-crisis jugglers have to cope with each problem case as it arises. There is always the possibility of a disastrous fumble. The best laid plans of rats and *Insiders* can go astray. After all, these conspirators are fallible human beings and not omnipotent and omniscient gods.

A recent article from the *London Financial Times*, quoted in the July 1983 issue of *The McAlvany Intelligence Advisor*, discussed the semantic and financial tactics used by the bankers and money managers to keep the world debt game in motion. Consider:

"An ascending scale of terms is now being used to describe the maneuvers with which borrowers and (international) bankers draw a veil over the former's inability to repay the latter. In ascending order of severity, this 'glossary of default' runs as follows:

"1. *Refinancing* — in which a borrower pays off one loan from the proceeds of another from the same, or another, lender.

"2. *Restructuring* — where a borrower arranges to replace debt of one maturity with debt of another, and usually longer, maturity and possibly of a different type.

"3. *Rescheduling* — Now tension is rising. Rescheduling involves delaying the moment when the principal of an existing debt is repaid. In return for the prolongation, the banker may exact a fee plus a higher rate of interest.

"4. *Default* — means anything from failure to make an interest payment to intent never to pay off a debt at all. However, given the failure of a borrower to meet the terms of a loan — the *event* of default — the lender has to decide whether to *declare default*, thus running the risk of triggering other default notices and forcing the borrower into bankruptcy.

"5. *Moratorium* — the next rung up the ladder. The borrower suspends all repayments of principal while he sorts out his affairs.

"6. *Repudiation* — the final step and the borrower's ultimate deterrent — an outright declaration that he does not intend to service or repay existing debts. At this point, all the banker's hopes that his loan will ultimately 'perform' must vanish."

In the opinion of the *London Financial Times*: "We are now rapidly moving beyond Stages 1-4 to the point where Stage 5 — *moratorium* — will *come into vogue*. As this occurs, bank auditors and regulators *will no doubt try to make the best of it* — they will point to the continued *commitment* to repay and, they hope, the continuing flow of interest . . . . But underneath, they will know that the banking system is now becoming very dependent on central banks as the ultimate guarantors of liquidity and that the elastic has little stretch left in it."

Until their safety net is fully in place the last thing the bankers want is to have to write down these Third World loans which they are currently carrying on their books as perform-

**No arm-twisting is needed to persuade the banking establishment to continue making risky loans. The big bankers willingly extend credit, since they have a vested interest in perpetually postponing default until they have all of the elements in place to assure government guarantees from your taxes.**

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ing assets. Hence, the necessity of pretending that the loans are good. According to the *New York Times*, loans by the nine largest U.S. banks to only three Latin American governments — Mexico, Brazil, and Argentina — amount to 113 percent of their stockholders' equity.

The July 1983 issue of *Silver & Gold Report* featured an explosive interview with noted Wall Street portfolio manager William H. Tehan. Mr. Tehan, who predicts that the debt crisis will slam the country into the worst depression of this century, points out the following often-neglected facts:

"As the public loses confidence in the banking system, deposits will be withdrawn, and all the banks will have left are those bad loans . . . . Remember, the depositor is the important element because his deposits are leveraged . . . .

"With the Federal Reserve System, every loan is a deposit. If you go to the bank and borrow a thousand dollars, that loan immediately becomes a deposit. Because reserve requirements are so low, the banks can turn around and lend out a large multiple of that deposit again. By the time this leverage has worked its way through the system, the banks end up creating about $6.60 in new loans for every new dollar deposited.

"But look what happens if you take a deposit out. That 6-to-1 leverage begins to work in reverse *against* the banks. If they lose a thousand dollars in deposits, they lose $6000 of loaning power.

"That's also why the banks are so reluctant to call a bad loan a bad loan — if it's large enough. If it's a small loan — say, to you or me — that's no major problem. But if all of a sudden they have a thousand small defaults — or if they have to write off a $10 billion loan to a foreign country — they're in trouble. They're not losing just the $10 billion. They've got that 6-to-1 leverage working against them. They're out of business."

Yes, the fractional-reserve system can be sensationally profitable, but it also can be a double-edged sword that cuts the other way during economic contractions in which loans are lost or deposits removed. That is why the debt aristocracy engages in the elaborate pretense that the L.D.C. loans are worth their nominal book value as assets.

So it is easy to see why the world financial jugglers indulge in rounds of self-congratulation each time they avoid fumbling a debt crisis. For example, when the Mexican debt balloon was close to bursting in a massive default a year ago, the Federal Reserve and European central bankers rapidly cooperated to prevent the disaster. Meeting at the Switzerland-based Bank for International Settlements, they put together an impressive rescue package. This bailout included several billion dollars in immediate financial assistance, a jumbo International Monetary Fund loan, and a three-month moratorium on all short-term debt and interest payments by Mexico.

As Albert Bressand boasts in "Mastering The 'Worldeconomy,'" published in the C.F.R. journal *Foreign Affairs* for Spring 1983: "Not only did every element of the package quickly materialize, but the Managing Director of the IMF, Jacques de Larosière, was even able to armtwist all banks involved into further increasing their exposure by seven percent. The 'Crash of 1982' will never make it into history textbooks, and the key actors in that story deserve our admiration."

It should be pointed out, of course, that no arm-twisting was needed to persuade the banking *Insiders* since they have a vested interest in perpetually postponing default until they have all the elements of their safety net in place to assure complete U.S. Government guarantees taken from your taxes.

One of the key actors involved in the Mexican bailout was Federal Reserve czar Paul Volcker (C.F.R.). While jawboning about "tight money" and "monetary restraint," Volcker played his role well. As Bressand remarks: "Averting the crisis implied, for example, that Paul Volcker print some money, and he rightly did so. The worldeconomy was not sacrificed — at least not in a single stroke — to some ill-defined monetary aggregate."

It is amazing how candid writers are in those C.F.R. publications. Such articles are meant for the members of the esoteric clique of world planners and policy makers. The elitists are smugly confident that few people will take the time to go down to their local college or public library and plod through dry Establishment journals such as *Foreign Affairs*. And, of course, virtually nobody does.

**So How Bad Is It?**

Last January your reporter described in these pages the various elements and mechanisms which constitute a "safety net" for the banking gang. Nevertheless, some Establishment analysts are far from certain that the net they have been weaving will in fact hold together if two or more major default bombs should go off at the same time. Which national government will be the next to be added to the Who's Who of international default? Even the *Insiders* may not know for sure. They cannot control everything in the world. It is precisely for this reason that they work toward the establishment of a global socialist state, through which they hope to cartelize world markets into a world monopoly under their control.

Mr. Bressand admits to uneasiness when he remarks as follows: "In the medium and long term, however, reasons for self-congratulation are less obvious. True, some strengthening of the safety nets is taking place. The accelerated 47.5-percent increase in IMF quotas and the extention of the General Agreements to Borrow must be applauded and are probably sufficient. But present policies are not conducive, to say the least, to the elimination of the 'country risks' hanging over international finance. Most problems are simply postponed . . . ."

Yes, there is always the possibility

of surprises. "Unforeseen events do happen," admits Robert Heller, chief international economist at Bank of America, "and they tend to be bad news. Bad weather could cut the Brazilian coffee harvest in half — good weather isn't going to double it. Honduras could have a disastrous banana crop."

Then, too, there is the *problem* of the softening price of oil. The financial *Insiders* want to stabilize it at some acceptable level. If the price of oil continues to decline, it will be even harder for such oil-exporting countries as Mexico and Nigeria and Venezuela to make the interest payments on their outstanding debts. It is true, of course, that overall such a price decline would also help the situation of the non-oil-exporting debtors. Brazil, for example, would save approximately $500 million a year for each drop of a dollar a barrel in the price of crude. Looking at the situation in the aggregate, this would appear at least partly to mitigate the heightened financial woes of the oil importers. But that impression is illusory.

The trouble is one of timing. A precipitous fall in oil prices would help out Brazil only gradually — but its sudden impact on Mexico and Nigeria and Venezuela would immediately be anticipated by the credit markets. Cash flow would dry up in a hurry, perhaps even before central banks could react in time, and loans might well be called. An enormous credit crunch could hit the entire Third World in one dramatic financial blitz. And the bankers would have to write off all those bad loans and admit insolvency.

Are there any long-term solutions? The alternatives would appear to be limited. Bressand, who is Deputy Director of the *Institut Français des Relations Internationales*, suggests we either produce our way out of the debt mess or experience a deflationary liquidation of the debt overhang:

"In the next two years, one can think in terms of two broad scenarios, depending on what relationship will prevail between the 'real' economic sphere and the financial one. In the first, the optimistic one, the real economy will be able to grow faster than the size of the financial 'deadweight' with which it is now burdened. If that were to happen, specific country or corporate situations could still be sources of difficulty but, on the whole, the debt overhang would gradually dissolve itself. Nothing more drastic than heavy rescheduling might be needed."

But the French *Insider* warns in the C.F.R. journal that unless this is achieved the "policies of financial 'adjustment' would converge toward deflation on a global scale . . . ," and at some point "the weight of accumulated debt would be such that repudiation could not be avoided, and might be the only way out of an implosion trap . . . .

"The first scenerio is not totally beyond reach. Whereas the successful liquidation of debts is usually associated with high inflation, this need not necessarily be the case. Success depends on a capacity to promote, simultaneously, higher economic growth rates and lower real interest rates so that the real economy again starts moving faster than the debt burden. The present situation — low growth and excessively high real interest rates — is such that substantial room for maneuver does not exist on both sides of the equation."

Monsieur Bressand would accomplish this by a more harmonious (centrally directed) co-ordination of U.S. fiscal and monetary policies with the needs of the "world economy" as a whole. Which means that he blames the European recession on the high real interest rates in America, and that he wants our leaders further to reduce interest rates to help stimulate a recovery of the world economy. The idea is to play catch-up with the mounting debt threat that is spiraling out of control.

The hope evidently is to bail out the potentially deflationary debt defaults with huge increases in the quantity of fiat money, but to mitigate "price inflation" by squeezing more production of goods and services out of the economy. To do this, Bressand wants to foster more "international co-operation" and have an international group of "experts" coordinate the domestic economic policies of each nation — especially the United States — to further the interests of the "world economy." Translated into American English, it merely means that growth of America's standard of living must be sacrificed to shore up the failing state-directed economies in other countries and put the whole of the world economy formally into the hands of the banking *Insiders*.

The banking establishment depends on the Federal Reserve (America's central bank) to play a key role in the planned bailout by providing the necessary liquidity to the international redistributive agencies (such as the I.M.F.). David Rockefeller and his pals need someone they can depend on to oversee the arrangement. Paul Volcker, a former vice president for David's Chase Manhattan Bank, has been reappointed as Federal Reserve Chairman by President Reagan.* Volcker, who is very chummy with B.I.S. president Fritz Leutwiler and other European bankers, received solid support from Europe's central bankers for his reappointment.

Mr. Reagan obviously felt he had to play ball according to the Establishment's rules in order to assure *Insider* support for his re-election bid in 1984. In exchange, Volcker agreed to cooperate in keeping interest rates more or less flat between now and the Presidential election in November of 1984. Once reappointed, of course, Volcker cannot be replaced by the President for another four years. This gives the six-foot-seven central banker a potential veto over Presidential policy decisions, foreign and domestic. Which will help assure that Ronald Reagan — not fully trusted by the Eastern Establishment — doesn't do anything rash.

Reagan will go with the flow. If he doesn't, Paul Volcker can always sabotage his re-election chances by running interest rates up into the stratosphere, aborting the recovery and panicking the economy. As head of the Fed, Volcker is a very powerful man. But we doubt that even he can control long-term rates of interest. He can only control short-term interest rates — and with $200 billion deficits hitting the capital markets, that won't be easy!

What President Ronald Reagan has capitulated to is a massive sacrifice of American capital by promising that the United States will contribute another $50 billion to the I.M.F. bailout fund: *Fifty billion dollars* for loans temporarily to rescue the strapped L.D.C.s, and help them pay some of the interest they owe the megabankers. This, and the reappointment of Paul Volcker to

*The author offers a free year's subscription to his *Insider Report* newsletter to anyone who can find a reference to Volcker's stint as vice president of Chase Manhattan in any recent mainstream newspaper or magazine. Contact the author at Box 2686, Seal Beach, California 90740.

**President Reagan has agreed to a massive sacrifice of American capital by promising that the United States will contribute another $50 billion to the I.M.F. bailout fund. This, and the reappointment of Paul Volcker to head the Federal Reserve Board, strongly indicate that Ronald Reagan has made some deal.**

head the Fed, strongly indicate that Mr. Reagan has made his deal. He has sold out hard-working American taxpayers to the interests of international "convergence."

**The Multinationals**

Now comes the major variation on the theme. Closely allied with the big *Insider*-controlled banks are the megacorps, or multinational corporations. Whether they are engaged in mining, or the manufacture of merchandise ranging from cars and computers to huge oil tankers, all multinationals have certain characteristics in common. They have their headquarters in one country, with at least one or more subsidiaries abroad. Their working capital generally derives from several countries. They depend on a great fund of specialized knowledge and skills in the fields of research, organization, production, marketing, and finance. Although something like three-quarters of their activities are concentrated in the industrialized nations, many megacorps wield considerable influence in the Less Developed Countries by virtue of their technical expertise, access to capital, and political connections.

Marxist students and their professors curse the multinationals as an engine of international "capitalism" and a tool for worldwide exploitation. Yet this does not prevent the Marxists from welcoming megacorp investments in "socialist" countries including Poland, Angola, and even the U.S.S.R. itself. By 1973, of the five hundred major multinational corporations in the West, at least one hundred forty had significant dealings with the Communist Bloc. Indeed, a symbiotic relationship exists between the Reds and certain of the privileged megacorps.

Chase Manhattan, for example, is a multinational institution. While its main headquarters is in New York, it has a branch office at One Karl Marx Square in Moscow, and David Rockefeller has been given the Red Carpet treatment whenever he has visited the U.S.S.R. Chase also operates in Red China. Another example is Gulf Oil, which accounts for the largest portion of the revenues provided the Marxist-Leninist People's Republic of Angola. Gulf's oil and refineries are actually protected by Cuban troops brought in by that Communist regime.

What does all of this have to do with the Third World debt threat? A great deal. You see, world monetary control is only one part of the conspiratorial strategy. The *Insiders* not only want monopolistic control over money — which they would obtain through a world central bank — but they also desire monopolistic control over every other factor crucial to world rule. In addition to money, these include energy, food, and other strategic natural resources. They would obtain this control for their multinational corporations by using socialist intervention to keep out all competition. The implications are all too clear. If they could obtain exclusive control over only money, energy, and food, the *Insiders* would have the world by the ears.

Establishment oil companies, whose directorates interlock with the major international banks, are already said to control over forty percent of the world's oil flow. In his book *Wealth For All*, R.E. McMaster Jr. points out that ARAMCO and Exxon virtually monopolize the distribution of oil worldwide. He writes: "For example, out of the 8.5 million barrels of oil a day produced by Saudi Arabia, the Arabian American Oil Company (ARAMCO) is responsible for marketing 6.5 million barrels. ARAMCO is made up of Texaco, Exxon, Mobil, and Standard Oil of California. Now we know who really got rich on the skyrocketing price of oil during the 1970s. Back in 1970, the top eight major oil companies controlled 58.1 percent of the refining capacity domestically. . . . What we find is that 'Big Oil,' 'Big Banking,' and 'Big Government' all benefit from high oil prices."

Likewise with control over agricultural resources. Consider the following from the January 14, 1983, issue of *Don Bell Reports*:

"So, with their monopoly of money developing apace and at our expense, and with control of oil well in hand (and the development of nuclear power stalled when not controlled by the multinationals), the next item on the New Economic World Order planners' agenda is the control of food. This is where the foreclosure of mortgages on family owned and operated farms becomes important. Of course, much had gone on before this present crisis was brought to a head. Slowly but surely the multinationals had been taking over America's agricultural production. And the independent farmers that are left are already at the mercy of the multinationals in several ways. Multinationals control the production of herbicides and fertilizers, seeds and motorized irrigation systems. The farmers have been discouraged from using organic farming techniques. They are told to forget crop rotation, land terracing, minimum tillage; until recently when President Reagan took it upon himself to give farmers grain for not raising it (shades of Henry Wallace and his killing of little pigs).

"Multinational business dominates world grain trade. There are said to be five multinational corporations that control the grain trade: Continental Grain, Dreyfus, Andre, Bunge, and Cargill. Cargill and Continental are said to handle better than 50 percent of U.S. exported grain. So develops the monopoly . . . . "

You get the point.

As we anticipate the Second Wave of Third World near-defaults, we are again being told that a sovereign country cannot be towed away if it fails to make good its debts. Maybe not, but deals can be struck partially to resolve the situation by having designated megacorps receive monopoly concessions or be granted exclusive claims on key natural resources within a country. Such concessions over markets and resources in the delinquent L.D.C.s might become conditions for receiving further bailout money.

Suppose that, acting on behalf

of the Big Bank creditors, the I.M.F. tells the Third World regimes that they have to pursue certain policies that serve the interests of the megacorps — such as granting concessions over natural resources or marketing agricultural products through Agrigiant. If these conditions are not agreed to by the debtor governments, no more desperately needed money will be forthcoming and the bankers will deal with the *next* regime. The banker-affiliated megacorps benefiting from this special treatment would then move in and take over the resources of the countries.

In other words, if Mexico cannot make its interest payments to the Rockefeller family's Chase Manhattan Bank, the I.M.F. might bail Mexico City out of its jam if the Mexican Government will agree to give some Rockefeller-controlled marketing or production company control of the oil or other mineral resources in the Land of Montezuma.

Such government-granted concessions are by no means unheard of even in Communist countries. That's how Soviet Russia's resources were developed. Today, multinationals such as Anglo-American work in partnership with the Marxist Government of Zambia to extract that country's copper. Such is the symbiotic relationship between monopolistic megacorps and socialistic governments that you cannot long have one without the other.

In Latin America this pattern has been particularly evident. For example, thirty years ago Colombia virtually gave away its petroleum resources to giant oil corporations. More recently, Colombia has joined with Exxon in a joint venture to build that nation's largest coal mine — with Exxon having exclusive control over production.

As Cynthia V. Ward explains in the June 20, 1983, issue of the Paris- and Geneva-based *Globescan* newsletter, it is time for the major megacorps to make their move: "In every crisis, they say, there is also opportunity. It is a lesson the International Establishment is turning to great advantage. Fresh from a deep recession in the West which exposed their wild lending to Third World deadbeats, the megabanks have used the threat that the world's monetary system will collapse under the weight of enormous loan defaults to strengthen the power of supranational institutions and bind the West ever closer to failing collectivist economies.

"To be sure, the banks will not soon inaugurate another round of direct loans to the Less Developed Leeches; that game is up. *In the next stage the multinational corporations will move to the fore.* Backed by Western taxpayers and supranational institutions like the I.M.F. and the World Bank, the megacorps are about to launch a tidal wave of new direct investment in the Third World, setting up shop in the vital sectors of agriculture, mining, oil drilling, and trade and financial services."

Of course, direct investment has always been important to the developing nations, but the world recession of the past couple of years has made the L.D.C.s especially desperate for new capital infusions just to keep from sliding into the pit. They are rolling out the Red Carpet for the multinationals. But as Miss Ward observes in *Globescan*: "Since the megacorps don't go anywhere these days without taxpayer guarantees, Western governments are now putting in place programs to protect their investments and accelerate the flow of capital to the Debtor Nations.

"*The goals of the new investment will be to recycle Western money into* *the Treasuries of Third World governments, which will then be able to make loan payments to the banks.* But knowledgeable observers have no illusions that such enterprises will be private or capitalistic; for some time the Establishment has been devising rules whereby multinational investment will further the One World movement by strengthening the grip on debtor countries of international financing institutions."

Congressman Ron Paul of Texas, a leader in opposing the expanded U.S. contribution to the I.M.F. scam, emphasizes the fact that this is nothing more than a massive transfer scheme:

"The transfer of resources from one nation to another makes the I.M.F. just one more foreign-aid bureaucracy. The wealth of middle-class citizens of the nations of the West will wind up subsidizing the grossly inefficient programs of the elitist, socialist, envious, and bureaucratized Third World nations. The middle classes of the West will have to support the educated elite of the less-developed nations. We will rob from the middle class to finance the powerful, only we will do it across borders.

"What we have seen again and again during the past 30 years is that the guilt-ridden voters of the West — unnecessarily guilt-ridden — have allowed their governments to transfer their hard-earned resources to the state planning bureaucracies of the Third World. Government-to-government aid strengthens the economics of socialism. This kind of aid is nothing less than a weapon — a weapon used by Western-educated socialist bureaucrats in the Third World to suppress economic freedom in their own countries."

For fun, yes. And, as Cynthia Ward has made clear, for huge concessionary profits.

**A Final Word**

If the *Insiders* are successful in achieving a world monopoly in money, energy, and agricultural resources, then everyone who uses these things will depend on the globalists for survival. And, again, the whole takeover operation will have been guaranteed by Uncle Sam — which means, the U.S. taxpayers.

In a free market, the government does not force the taxpayers to underwrite the investments of any business or individual. Businessmen are free to take their own risks and either succeed or fail — with neither hindrance nor assistance from government. But we do not have Free Enterprise today; we have *privileged* enterprises for those conspiring elites which use political interventionism to keep out potential competitors and to obtain favors and monopolies. Only by imposing on government a strict policy of laissez-faire can this alliance between Big Business and Big Government be curtailed; only by a total separation of Market and State can the Monopolist-Socialist connection be broken.

Nor are fluctuating fiat currencies and the problems associated with unstable exchange rates the result of Free Market capitalism. These too result from government intervention, this time in the field of monetary affairs. Managed fiat money is invariably managed by someone — and it is literally a license to steal everything we have. ■ ■

CRACKER BARREL

■ "I have known many who could not when they would," wrote Rabelais, "for they had not done it when they could."

■ Some people pursue happiness. Others dare to create it.