THE BANKERS AND THE DOLLAR

Gary Allen, *a graduate of Stanford, is author of* None Dare Call It Conspiracy, The Rockefeller File, Kissinger: Secret Side Of The Secretary Of State, *and* Jimmy Carter/Jimmy Carter. *Mr. Allen is an* AMERICAN OPINION *Contributing Editor.*

■ THE funeral notices for the dollar appear in your local newspaper almost daily, but the reports of its demise are premature. While it is being eaten away like the victim of a terrible cancer, the notices should more closely resemble hospital reports on a gravely ill patient. The Great Mortician is nonetheless adjusting his cravat. Almost every morning as you open your newspaper over breakfast you face a headline which declares something like: "Battered U.S. Dollar Drops Again." Usually the story appears on the financial page, but occasionally it rates space on page two, next to the freak reports, or even on the front page.

The story looks something like this: "The battered U.S. dollar took an-

The U.S. dollar is like a great balloon, being reduced in value as it is inflated to the point of bursting. Billions of dollars in the hands of foreigners could now be pumped into our economy to loot American production while despoiling the remaining value of our money and creating an economy-destroying panic.

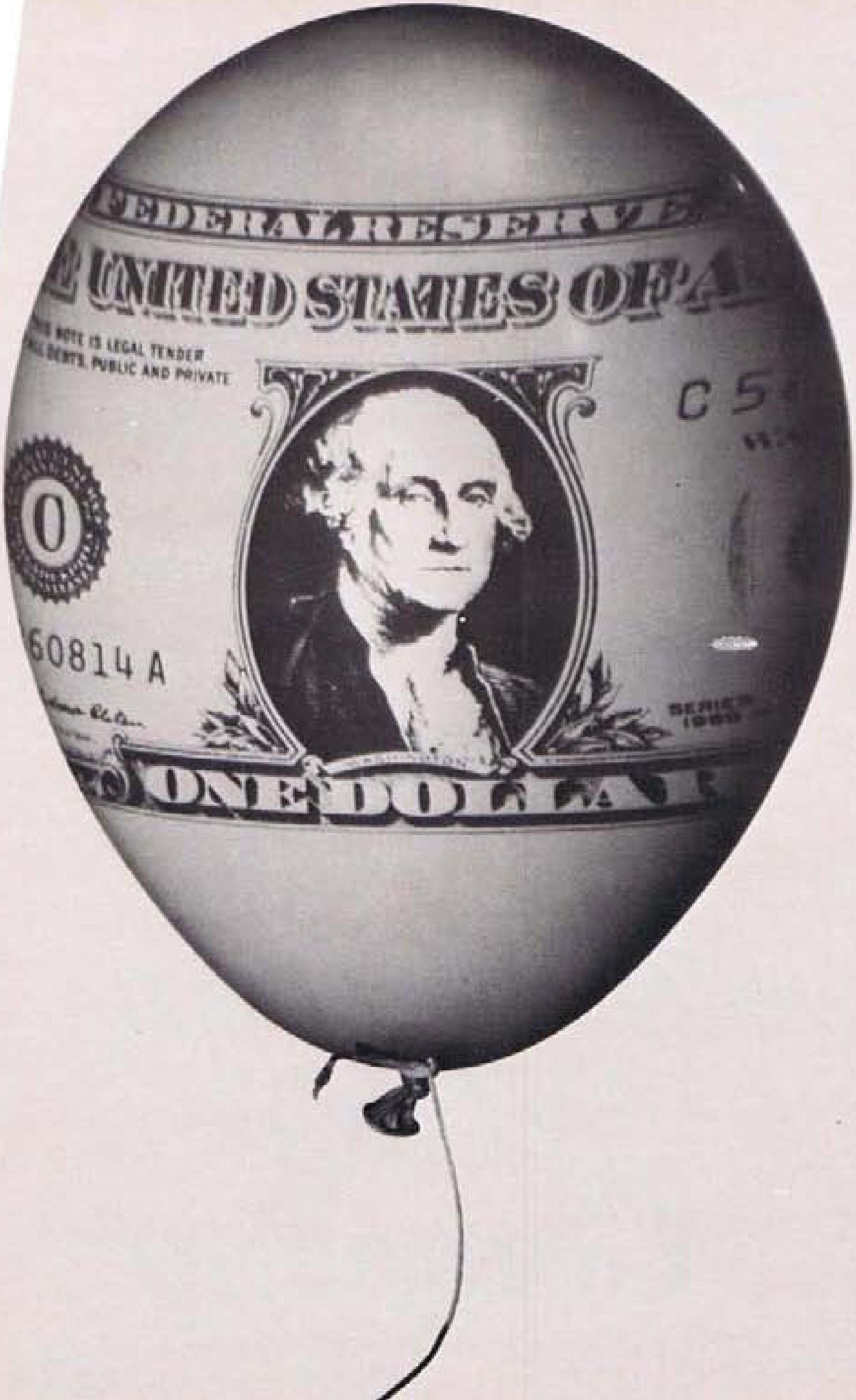
other steep dive again today on foreign exchange markets as nervous Europeans scrambled out of the American currency. The once-proud dollar was unwanted in London, Paris, Zurich, and other world money markets, suffering one of its worst days as European financial institutions were apparently determined to dump the bloated American markers."

The reason this story only rarely finds its way to the front page is that the vast majority of Americans have no idea what it means. Everyone knows that it can't mean anything good, but few know what the consequences of a sagging dollar really are. After all, the price of hamburger, haircuts, or spanner wrenches won't be affected in your neighborhood today. But the fact is that your life will be tremendously influenced by what is now going on in the currency markets of London, Paris, and Zurich. The falling exchange rate of the dollar hurts Americans in a number of ways.

One effect which most people understand has been the imploding of the stock market. The Dow Jones Averages have been afflicted by a bad case of dropsy, shriveling like a sponge thrown into a roaring furnace. Weak currencies make weak stock markets. Investors know that an anemic currency will not be accompanied by a soundly expanding economy. The investing public wants stability. A plummeting dollar is like a rising thermometer: it indicates to all concerned that the body is sick. When the Dow Jones is staggering it is not just security investments that are affected but also real estate, retail sales, and other private investments.

In many cases securities have been pledged at banks as collateral for loans. As the quoted price of the stock falls, banks start asking for more collateral or repayment of their loans. A debtor in such circumstances often turns defensive and seeks to protect his assets. Investor entrepreneurs become cautious.

Another possible effect of the declining dollar is that foreign sellers of such vital supplies as fuels and raw materials tend to raise prices to compensate for the shrinking value of dollar-denominated assets in their possession, with the cost being passed on to the consumer of finished goods. This is especially obvious with petroleum. Today, after five years of babbling about "energy independence," we are more dependent upon foreign oil than ever before. When the O.P.E.C. countries first began running up the price of their crude, the U.S. was importing about thirty-five percent of its petroleum needs. Now, as U.S. production has been stagnated


UNITED STATES
NOTE IS LEGAL TENDER
DEBTS, PUBLIC AND PRIVATE
60814 A
ONE

The international banks based in New York have set up "brass plate" operations abroad where they may operate without reserve requirements or even auditing, spinning out billions in dollar credits as loans. Thus through the Seventies international credit has been expanded at the compound rate of 30.4 percent.

under the burden of new taxes and growing regulations, we are forced to import half of our petroleum consumption. A drooping dollar means that the Arabs receive less for their oil. They are not likely to sit still for this very long, even though another increase in the price our strangling economy must pay for petroleum would be like handing a marathon runner a shotput as he enters the home stretch. The economy has had a very weak recovery from recession, and a hike in fuel costs would again turn the indicators downward.

But oil is not unique in responding as we have described. When the value of the dollar shrinks on the foreign exchange it means people don't want dollars as much as formerly and the dollar cost of raw materials and finished products that we buy abroad will within a short time start to rise. Have you priced a Datsun or a Volkswagen lately? The other side of this coin, the supposed good side, is that American exports are stimulated. Hooray, you say. That means jobs for Americans instead of payments to foreigners with sweatshop wage scales. This is the Carter Administration's rationalization behind the policy of "benign neglect" that has produced the nosediving dollar.

Our trading partners around the world meanwhile see the Carter policy for what it is. When the U.S. turned its back on the depreciating dollar, European central banks had to jump in and start buying dollars in a vain effort to keep the value of the American money from falling further and wrecking their export markets. During 1977, these central banks vacuumed up thirty billion in excess greenbacks floating around Europe, but they were unable to stem the green tide. "Frankly," an official of the French finance ministry said, "we find it increasingly intolerable that, when the dollar is menaced, everybody rushes to its defense except the Americans themselves."

As the buck fell to its knees, European businessmen saw the profit margins of their exports to the United States steadily eroded. Naturally they began screaming to their governments. What this sort of thing eventually leads to is competitive devaluation and tariff war. Nobody wins. "Devaluation, real or *de facto*, solves little in the short run," Jacques de Foucher, head of one of France's major banks, recently told the *Los Angeles Herald-Examiner*. "In the long run, it only worsens a nation's commercial problems. Where have the Americans been while everyone else was learning this?"

The Europeans insist Treasury Secretary Blumenthal is way off course. While a declining dollar might boost exports for a few months, they say the effect would be quickly counterbalanced by the higher costs of imports, including the raw materials from which export items are manufactured. Thus a lower dollar merely will touch off a spiral of higher prices and demands for higher wages by U.S. workers who will have to pay more for what they buy. This, in turn, will push U.S. costs, and therefore export prices, higher than they were before the dollar's exchange value dropped.

One reason the greenback is acting like it was printed on lead instead of paper is that we have a monumental Balance of Payments (B.O.P.) problem. The B.O.P. measures the value of foreign trade which takes place during a year. If a country exports more than it imports, it has a positive balance of payments; if it imports more than it exports, there is a negative or deficit B.O.P. In 1977, the U.S. missed balancing its foreign payments by a record thirty-five billion dollars. To get an idea of how the situation is deteriorating, the B.O.P. deficit in 1976 was five billion dollars, which at the time seemed (and was) astronomical. In 1977 we pumped dollars abroad in excess of purchases at a rate seven hundred percent greater than the year before.

The Carter Administration consistently attributes our colossal deficit in the B.O.P. to the energy problem and the cost of importing Arab oil. However, the six other major trading nations — Japan, West Germany, Britain, France, Canada, and Italy — ran a collective B.O.P. *surplus* in 1977 of over sixteen billion dollars. They too purchase O.P.E.C. oil, so what is *really* going on here?

Since the end of World War II, an estimated three hundred billion dollars have become expatriates overseas. These claims against the goods in our economy are collectively known as Eurodollars. They total a third as much as the money circulating inside the United States. As long as they don't come home to inflate our currency and carry off our goods it seems a welcome enough situation. But, as the amount grows bigger, and foreigners start to lose confidence, the situation invites a run on the American economy — at once putting our assets in the hands of foreigners and inflating our currency into valuelessness in the domestic economy. That is the critical stage that everyone who is not conspiring to destroy us is trying to avoid.

Meanwhile, these vacationing dollars piling up in foreign nations are virtually used as money (they are claims on our goods) in their new country. This inflates the money supply in Transylvania, or wherever the new residence is. It all has to do with supply and demand. An oversupply which swamps demand will cause the price to fall. Too many dollars means the dollar sinks in relation to other currencies. During 1977, the dollar dropped twenty percent in relation to key European currencies.

Benign neglect, used as a ploy to let the dollar sink slowly beneath the currency seas, could only be used for so long. By the end of 1977, European screams were becoming very intense and the dollar was burrowing like a prairie dog. The situation was threatening to get out of hand. Having the dollar drift downward while attracting as little attention as possible was fine for awhile. However, the financial *Insiders* behind President Carter don't want a panic — at least not yet. With three hundred billion Eurodollars sloshing around Europe, a panic out of dollars into other currencies, commodities, or hard goods in America would produce chaos and an infuriated American public. If any significant amount of these expatriate Eurodollars suddenly hopped on one of Freddy Laker's 747s and came back to the land of their birth, our cost of living would go orbital.

So, in order to slow the rate at which the greenback is sagging, President Carter announced on December twenty-first that our government would "act to prop up" the minidollar in foreign markets. The announcement said that, in order to reduce our B.O.P. deficit and assure that the dollar would not be further eroded, we would pump more oil from the Navy reserves in California and make other cosmetic changes. The fact that the Administration had finally acknowledged that the Federal Reserve Note was a trifle under the weather was supposed to make the problem disappear like Lamont Cranston. Whether the Carter crew really believed their press release would reduce the calamitous dollar dumping is moot. The dollar put on a faint courtesy rally for a day or two; then, when it was revealed that Federal Reserve Board Chairman Arthur Burns would be banished — allegedly for attempting to slow the currency expansion — our moth-eaten dollar began once more to collapse.

This time it would take more than a press release to restore confidence. In early January, the Treasury began buying up dollars on the European money markets hoping to soak up the excess supply and avoid panic. What do you use to purchase dollars? Obviously, even the Treasury can't buy dollars with other dollars. What it does is to borrow foreign currencies with which to make its purchases. The dollar, polite as an English butler, responded with a temporary rally. As currency expert James Sinclair points out: "Its effect is more psychological than fundamental and, therefore, must be considered as short, not long, term. The amount of the swap is $20 billion. This represents only three weeks' volume of dollars purchased by the Bundesbank alone."

Borrowing is no permanent solution. Eventually the Treasury will have to pay back what it has borrowed and will have to buy foreign currency with dollars to do it. As one currency expert observed: "Disorderly markets don't reflect inadequate U.S. intervention nearly as much as they reflect the fact that something is fundamentally wrong with the economic structure causing the U.S. deficits." When the "swap funds" now being used are gone, the dollar will be even worse off than before — though some shrewd operators will have milked the system for billions.

What is going on here? Everybody is entitled to his own opinion, but we think the sign on the wall of the pathology laboratory says: "*Insiders* At Work." Their fingerprints are all over the body and it isn't even cold yet.

When we are speaking of the Establishment *Insiders* we include heads of certain key multinational banks in New York City. During the last twelve years, the major banks in the United States have emulated other large corporations by going multinational. American banks have established branches, subsidiaries, and consortium banks outside U.S. borders, and a steadily increasing portion of total bank assets are being held by these offshore units.

In 1960, only eight U.S. banks had overseas branches, with total assets of $3.5 billion. Five years later, the number of banks with foreign operations had escalated to one hundred thirteen, with total assets still of only nine billion dollars. By the end of 1972, the number of U.S. banks with overseas branches had dropped slightly, to one hundred eight, but the assets of their 627 overseas branches had

In 1976 the Big Six banks earned $640 million overseas and $364 million in the United States. In other words, almost two-thirds of their profits came via their foreign operations. Thus these are American banks only in the sense that they are headquartered in New York City. Their hearts are where their profits are.

multiplied ten times to ninety billion dollars. And, by June 1976, total assets of foreign branches of U.S. banks had doubled again, to $181 billion — equal to twenty-six percent of total U.S. bank assets. These overseas activities have accounted for most of the expansion in U.S. banking during the 1970s, with international credit expanding at the incredible compound rate of 30.4 percent from 1970 through 1975, compared with a rate of only 8.8 percent for domestic credit. Obviously one of the reasons why America has been capital starved, and is therefore stuck with aging equipment and resultant sagging productivity, is that our banks have been lending most of our money overseas. Much of it doubtless goes to the overseas operations of U.S. multinational companies.

Two-thirds of the overseas banking activity is concentrated in just a dozen megabanks. For these banks foreign operations have become as important as their domestic operations. In terms of earnings, and that is the name of the game, the foreign tail now wags the domestic dog. Citicorp, the lesser known but largest of the Rockefeller family's New York superbanks, earned seventy percent of its total 1976 income from its overseas operations. Bankers Trust, another New York biggie, garnered sixty-two percent of its earnings from outside U.S. borders. J.P. Morgan earned fifty-three percent of its total income overseas, and Manufacturers Hanover fifty-six percent. The Chemical Bank's offshore earnings were forty-four percent. But, leading the pack were our friends at Chase Manhattan, where seventy-eight percent of all the earnings came from foreign sources.

Taking these Big Six banks, we find that in 1976 they earned $640 million overseas. At home these same Big Six earned $364 million. In other words, almost two-thirds of their profits came via their foreign operations. To a great extent these are now American banks only in the sense that they are headquartered in New York City, which is still within the borders of the United States. But you can bet Your last Deutsche mark or Swiss franc that their heart is where their profits are. Given this little fact of life, the political leverage these banks are able to exert in Washington to influence American foreign policy becomes very important.

Clearly the big banks are deemphasizing their American operations and concentrating on the international game. Looking at the 1976 growth rate for the Big Six, we find that, domestically, five of them had negative earnings growth. Citicorp was up a bare 3.7 percent; and all the others were down — Chase Manhattan 6.2 percent, Manufacturers Hanover 1.9 percent, J.P. Morgan 0.1 percent, Bankers Trust 12.2 percent, and Chemical Bank 5.0 percent.

The top management people of all these banks are members of the Rockefellers' secretive Council on Foreign Relations. All are also represented on David Rockefeller's international version of the C.F.R., the Trilateral Commission, which completely dominates the key positions in the Carter Administration. For all practical purposes, we are dealing with one entity. Sound fantastic? The *Washington Post* of January 19, 1978, carried an article entitled "Big Banks Control Blocks Of Stock In Each Other." Basing the account on a 235-page report prepared by the Congressional Research Service and an important Senate Subcommittee staff study, the *Post* revealed:

"'The nation's biggest banks don't quite own each other, but they come close to it, a voluminous new Senate study indicates. The leading banks in America are so closely tied together that they control the biggest blocks of stock in each other's parent holding companies. For instance, America's second biggest bank in terms of assets, New York's Citibank, is owned by Citicorp. But the Morgan Guaranty Trust Company is the major 'stock-voter' in Citicorp. So, too, for most of the other mammoth banks in New York. Morgan Guaranty holds — and has the power to vote — more stock in the companies that own Manufacturers Hanover Trust Company (No. 4 nationally), Chemical Bank (No. 6), and Bankers Trust Company (No. 7), than any other known investor.

"In turn, most of the same New York sister banks — plus the Rockefeller family's Chase Manhattan (No. 3) — control the biggest blocks of stock in J.P. Morgan and Company, the holding company that owns Morgan Guaranty. Citibank, Chase Manhattan, Manufacturers Hanover, and Bankers Trust are, in that order, the leading stockholders, and voters, at J.P. Morgan. The most influential money manager of all the nation's banks, although it is only Number 5 in terms of assets, Morgan Guaranty is also the biggest 'stock-voter' in Bankamerica Corporation, whose Bank of America is No. 1.

" 'The banks are one big happy family,' says an aide to the late Senator Lee Metcalf (D.-Mont.) who had headed the Senate Governmental Affairs Subcommittee which conducted the detailed staff study over a six-month period. The study found that the voting rights to stock in large U.S. corporations are concentrated in a relatively few bank trust departments (led by Morgan Guaranty), insurance companies, mutual funds and their related investment advisory companies. *Other people are the real owners of most of the stock, but the financial institutions have full authority to buy it and sell it. By and large, the study found, they decide how the shares should be voted.* [*Emphasis added.*]

"Entitled 'Voting Rights In Major Corporations,' the survey disclosed that the power to vote stock in 122 of America's largest corporations — companies so big that the market value of their common stock represents 41 percent of all outstanding common stock in the United States — is held by just 21 institutional investors. Their voting influence over corporate policy, the report said, 'is often augmented by two other powerful levers of control, interlocking directorates and debt-holding.'

"According to the report, voting power in 56 of the companies, including such corporations as General Motors Corp., Connecticut General Insurance Corp., Middle South Utilities, Citicorp, American Broadcasting Co. Inc., Coca-Cola, American Airlines, Burlington Northern Inc., Shell Oil and American Express Co., is especially concentrated. In 13 of these corporations, family interests control 10 percent or more of the votes; in another 19, a single institutional investor controls five percent or more, and in another 24, a combination of five or fewer investors control 10 percent or more of the votes."

Thus, while there are several reasons why the Big Six have done a reverse Columbus since 1960, an important one is that many of the major corporate stockholders of the New York banks were becoming multinationals and required the services of their banks. There are also those convenient tax advantages for overseas earnings, including deferral of U.S. tax on income from foreign sources and the permitted crediting of foreign taxes against amounts owed in U.S. taxes — thus heavily subsidizing the exporting of U.S. jobs and capital.

Another major advantage to American banks operating overseas is that some laws which apply to foreign domestic banks did not apply to our banks. The key situation in this case was England. London has traditionally been the most important international banking center outside New York and serves as a linguistically comfortable base for U.S. banks seeking to do business on the European continent. Having branches or subsidiaries in London makes it possible for U.S. banks to compete with local banks for business from U.S. multinational corporations and other customers in Europe.

London is also a bank center because foreign-owned banks there are exempt from both reserve requirements and interest-rate ceilings which are applicable to British banks. Beirut (before the Lebanese civil war) and Singapore are other examples of such banking centers.

Switzerland is often thought to be the classic bank haven because of its stringent bank-secrecy laws which prohibit the disclosure of internal bank data to authorities of other countries. This permits foreign subsidiaries under Swiss jurisdiction to escape disclosure requirements imposed by the government of the parent bank. However, banking is a closely regulated industry in Switzerland — even more so after two scandals broke in 1977 involving major Swiss banks. Foreign banks also pay handsomely for the privilege of being allowed to operate within Swiss borders. This makes the country less popular for money manipulations than such true havens as Luxembourg, the Bahamas, and the Cayman Islands in the Caribbean. These offer not only strict bank-secrecy laws but also an almost total absence of any other form of banking regulation or oversight. Normally, there are no reserve requirements and no taxation of foreign banks in these havens. In the Cayman Islands, banks are not even audited, no records required, and the Cayman Currency Board does not keep any statistics on non-Caymanian business.

You may not be terribly surprised to learn that, as of 1975, there were 124 U.S. branch banks in the Bahamas and Grand Cayman, as compared to 112 in all of continental Europe and 55 in Great Britain and Ireland. Unlike the London offices, these Caribbean branches are generally "shell" or "brass plate" operations with only a nameplate on the door and a receptionist to answer the phone. The actual loan or deposit transaction is handled by the head of-

(*Continued on page ninety-seven.*)

From page thirty-two

THE DOLLAR

fice in New York or by a London branch, but "booked" (that is, registered) on the account of the branch in an appropriate bank haven. These setups are legal, though the Federal Reserve Board limits each parent to only one foreign "brass plate" operation with the requirement that other branches must be "full service."

The "booking" of a loan is extremely important because it determines for tax purposes where the income from the loan is generated. Tax-haven branches therefore play a crucial role in the determination of how much tax a multinational bank must pay on its global earnings. Like other types of corporations, banks must pay U.S. income tax on their consolidated worldwide earnings, including earnings of foreign branches. But, U.S. taxes on income generated by foreign subsidiaries may be deferred until such income is repatriated to the United States.

When the Federal Reserve allows an American bank to have only one foreign shell, that's like allowing a robber only one license to steal! Your correspondent can't prove that banks from all over the world pump significant amounts of their earnings into these unaudited shells, but it seems safe to say that, given the opportunity, that is likely. Otherwise we would surely hear complaints about the tax rates from the major stockholders in the big banks in New York and London. Instead, these elitist *Insiders* back the politicians who keep the spend-and-tax game going at an ever-faster clip.

It is now well known that Establishment *Insiders* created the great tax-free foundations to keep control of their assets out of the hands of Uncle Scrounge and safely in the family while graduated taxes prevented major capital accumulation by potential competitors. Thanks to the educational job that Americanists have done in exposing this, there has been increased scrutiny of the foundations in recent years as more and more people caught on to the game. How much easier to siphon money from your multinational corporation into your own private tax haven without the need of so much as an audit!

Whether individual *Insiders* are in fact certified saints who take advantage of every possible domestic loophole but patriotically forego the temptation of a foreign bank haven, we do not know. They do take advantage of the corporate tax-savings afforded the multinationals. A staff report issued in August 1977 by the Senate Foreign Relations Committee describes the process:

"The nature of banking itself — and the willingness of the Federal Reserve to tolerate brass plate operations — greatly facilitate this juggling act. Most banking transactions entail a mere stroke of the pen: money moves, even across national borders, when a banker subtracts figures from one client's account and adds them to another. It is therefore relatively easy for banks to exploit the tax advantages offered by having a multinational base of operation. To take a simplified example, suppose the London branch of a U.S. bank receives a \$10 million deposit; management decides to loan the money out.

"However, for tax reasons, it decides that it would be more advantageous to 'book' the loan with its Bahamas branch or subsidiary; that is, to make it appear on the bank's accounts that the loan was made by the Bahamas entity rather than by the branch in London. To make this possible all that is needed is for the London branch to 'lend,' *i.e.*, deposit, the

$10 million with the Bahamas entity which in turn makes the loan to the outside borrower. Formally, for accounting and tax purposes, this will appear as a Bahamas transaction; in fact, the real arrangements may have been made by the head office in New York, while the money comes from the London branch. Of course, the bank has to pay taxes in Britain on the interest earned on the London branch's 'loan' to the Bahamas subsidiary, but interbank lending rates are lower than the rates charged to non-bank borrowers, so the bank still comes out ahead on its consolidated earnings.

"This booking procedure, then, serves the same purpose for banks that transfer pricing does for other types of multinational corporations; that is, it allows them to shift their profit-taking from one sovereign tax jurisdiction to another to minimize the worldwide tax burden for the corporation as a whole."

Booking of loans in the Bahamas and the Caymans has increased at a rather remarkable rate. At the end of 1976, loans by Cayman banks totalled an estimated twenty-eight billion dollars. According to the Senate report: "By the summer of 1976, more offshore loans were being recorded in the Caribbean than in London. The Bahamas had 31.9 percent of all loans made by foreign branches of U.S. banks . . . . Caribbean branches now have 31 percent of the total assets of U.S. branches overseas."

The Senate staff committee report continues: "According to staff interviews with various banking experts, the reason for this shift may be that the phenomenal growth in international earnings relative to domestic earnings is now resulting in a buildup of foreign tax credits in excess of what the banks can prudently use to offset taxes owed the U.S. The effective rate of U.S. corporate income tax paid on worldwide income by the 50 largest U.S. banks is already so modest — approximately 12 percent — that it would be embarrassing to the banks to push it any lower."

Gee, information like that would make Mary Poppins suspicious, especially in light of the fact that in 1976 Chase Manhattan Corporation paid no American corporate income tax whatever. It's not too surprising that this Senate report attracted about as much attention in the *Insider*-controlled mass media as a coffee klatch in Dubuque.*

But the major advantage which accrues to the Big Six and other banks in their overseas operations is that they thus avoid U.S. Government regulation. The Senate report reveals: "Despite its growing importance to the soundness of the domestic banking system, offshore banking seems to have fallen between the cracks in the multitiered U.S. Government regulatory system." Imagine that. "Treasury officials admit," states the report, "that they have no consistent and comprehensive statistics on the foreign operations of all national banks for which they are responsible." Branches and subsidiaries of American banks operating internationally are generally exempt from the rules which apply to domestic banks. Little wonder that the Big Six are shifting their operations to places where hamburgers are considered exotic foreign cuisine.

Ahh, the wonderful world of international *laissez-faire* — just the place to be as you arrange to mire your domestic competitors in the bureaucratic

*The report is entitled *International Debt, The Banks, And U.S. Foreign Policy*. It was prepared for the use of the Subcommittee on Foreign Economic Policy of the Senate Committee on Foreign Relations. We highly recommend that you ask your Senator to try to get you a copy.

swamps and red tape of regulation. You do begin to see why the Big Boys aren't uptight about the runaway bureaucracy in America. They promote it only for their competition.

Having this magnificent mechanism for ducking the collectivist consequences, the Big Six are not shy about using it, turning domestic and international inflation into power tools. How the *Insiders* use and manipulate inflation for their own power and profit is discussed in Craig Karpel's "Cartergate IV" in the February 1978 issue of *Penthouse* magazine. This is part of an important series on the conspiratorial control over President Carter exercised by David Rockefeller and his Trilateral Commission. Although readers of AMERICAN OPINION will certainly find much that is offensive in the magazine published by libertine-libertarian Robert Guccione, the Karpel series has presented more material on the international conspiracy against our sovereignty than has ever before appeared in a mass-circulation magazine.* Assisting Karpel with this one was James Davidson, who researched and authored that part of the article which presents profiles of key *Insiders* who typify the use of the inflation strategy for power and profit.

According to Karpel, "In 1957 there were 2.823 billion human beings on earth. In 1975 there were 3.968 billion. In 1957 the amount of paper money on earth, including funds in checking accounts, was equal to $254 billion. In 1975 it was equal to $1,106 billion. In eighteen years the population of our planet went up 1.4 times. In the same period the amount of paper money in circulation went up by more than four times. The amount of money in the world thus went up three times as much as the population. This increase means that there is three times as much money per resident of the planet as there was before. It is the printing of this vast torrent of intrinsically worthless paper money, outpacing any increases in human productivity, that results in inflation. And money does not print itself.

"Inflation doesn't just happen. People — actual, individual human beings with names and addresses — make it happen. These people make inflation happen, not to hurt others, but to help themselves. They promote inflation because it is in their interest to do so. They fight for more inflation because if prices were to stop rising, if the amount of money in the world were to stabilize or drop, the institutions for which they are responsible would suffer. These people are in favor of printing more money. They want prices to rise. They are for inflation. We call their ideology 'inflationism.' "

Mr. Karpel points out that a look at a chart of wholesale prices from 1770 to 1970 will show that for one hundred sixty of those two hundred years there was only a minor upward trend in prices. Only from 1930 onward did prices begin to climb higher, higher, and still higher. Reviewing the evidence, Karpel and Davidson adopt an amusing literary contrivance that treats inflation not as a strategy but as an ideology. The "ideology" of inflationism, says Karpel, is a destructive and subversive doctrine which will rob the typical wage earner in his early twenties of three hundred thousand dollars during his working lifetime. And, what the average man loses, some very unaverage men gain.

Chief among these, says James Davidson, is David Rockefeller,

---

*See Gary Allen's "They're Catching On," from *American Opinion* for December 1977 and January 1978, available as a single thirty-six-page booklet at two copies for one dollar from American Opinion, Belmont, Massachusetts 02178.

chairman of the board of the powerful Chase Manhattan Bank. It was David Rockefeller, Davidson and Karpel explain, who had Jimmy Carter picked out of the peanut patch to become President of the United States. Davidson calls Rockefeller the leader-by-consensus of an international economic network working to sustain the highest manageable rate of inflation possible, dubbing him the world's most influential inflationist. The strategy of the Chase Manhattan mogul, according to Davidson, is this:

The basic weapon that inflationism uses to subvert the economy is the constant creation of more and more paper money. When you consider that bankers are in the business of storing, transferring, and renting a certain product, it will be clear that the faster that product is being manufactured, the more of it there is for them to store, transfer, and rent. The main job of international bankers is to work for policies that will result in a constant, rapid, reasonably predictable increase in the amount of money printed. As the bankers' banker, David Rockefeller fights cunningly and effectively for inflation on many fronts.

Davidson explains that "the lord high wizard of paper money" is the chairman of the Federal Reserve. At the time the article appeared, that man was Arthur Burns, who was replaced in a partisan move by William Miller, head of the multinational firm of Textron. Confusion and obscurity play a role of great importance in the inflationist conspiracy. As James Davidson explains:

"Burns decides how much checkbook money the banking elite may create at your expense. If you are to grasp what Burns does, the first thing you must understand is that you are not meant to understand. Some of the highest-priced experts that funny money can buy have given their finest efforts to making the whole process incomprehensible. And for a good reason — as far as the inflationists are concerned. If the majority of Americans understood how the banking system defrauds them by the abracadabra creation of money, the political pressures to stop this rip-off would be irresistible. To avoid or diminish the prospect that you will catch on, the operation, the composition, and the functions of the Federal Reserve Board are draped in secrecy. You can't just call up one of the Federal Reserve Banks and ask who has profited from the latest issue of printing-press money. And although the Fed is supposed to be a government agency, your congressman knows little more about it than you do."

While Arthur Burns always masqueraded as a penny pincher who wanted to restrict the money supply, the reality behind the secrecy was quite different, as Davidson reveals:

"Burns supervises the whole process. It is his job to keep inflation at the optimum level, which he does by juggling arcane regulations that control interest rates and margin requirements. He wants to be sure that the inflationists do as well as possible. His role is like that of a dealer, in a game of poker, who can surreptitiously create new chips at will and dish them out to his favorite player. The dealer has to be reasonably conservative about it, or the victims will become disgusted and quit. The art is to create just enough funny chips so that the favorite player wins and pockets the largest possible pot. And this requires that the dealer and player stay in fairly close communication. They need some hand signals or some means of passing information that the rest of the room is not clued in about. Of course, in the case of the Fed, it's not chips that are involved, but the favorites do let the dealer know when they need new reserves. And Burns obliges."

In his chairmanship of the Fed, Arthur Burns largely deferred to the system's main beneficiaries, the Big Six banks. Thus the rate of inflation has been pretty much what David Rockefeller wanted it to be. Although Burns made pious statements to the public about controlling inflation, as Davidson observes, "whenever Rockefeller asks him to create more money, he flips the switch of the printing press to 'On.' "

Like all conspirators, the inflationists can only get away with what they do because few people understand the game. As James Davidson puts it: "The most readily understandable aspect of the whole thing is that the inflationists will continue to increase the supply of paper money, while they obscure their activities behind a man like Arthur Burns. He has the knack of confusing the issue and making it all seem so deathly dull and academic that the public becomes bored trying to understand its own undoing.

"Burns has understood that only a small segment of the public pays the slightest heed to his role in creating money. He has capitalized on that fact by constantly denouncing inflation at the same time that he personally supervises its creation. In one speech after another, Burns has spoken out against the evils of inflation, thus creating the false impression that he is trying to restrain the growth of the money supply . . . ."

From all indications, Arthur Burns's replacement William Miller is a far more open inflationist than his predecessor. Which means the money machines are about to be turned on full blast.

Among the tools which David Rockefeller and his teammates use to promote inflationism is the aforementioned Balance of Payments deficit. "One of the main goals of his Trilateral Commission," says James Davidson, "has been to put an inflationist at the head of the Treasury Department, thus making sure that the United States trade balance runs in the red." During his first year in office as Secretary of the Treasury, Trilateralist Michael Blumenthal allowed the American trade deficit to bloom to an unprecedented twenty-seven billion dollars. These dollars which immigrate to foreign nations wind up as bank deposits in foreign branches or subsidiaries of American multinational banks where they are not subject to the more stringent rules and regulations of U.S. banking.

One of the key regulations which the giant banks avoid by operating outside U.S. territorial limits, as we have noted, is that of reserve requirements. The staff report of the Senate Foreign Relations Committee notes that domestically banks are required to hold fifteen to twenty percent of their funds in reserve. "This provision," says the report, "effectively limits the number of times the same deposit can be loaned and reloaned . . . . This reserve requirement does not apply to deposits in the foreign branches of U.S. banks."

Now, here comes the explanation of what the inflationists are doing as the staff report continues: "If a branch is located where the host country does not impose such minimum reserve requirements, the branch can roll over, *i.e.,* accept and lend, the same deposit an unlimited number of times." This may be done, for example, in London. All of which is absolutely unbelievable! This practice is not just inflationary, it *is* inflation — the definition of which is an increase in the supply of money and credit. It is like putting a printing press in the hands of the bank.

As the Senate staff report admits: "Just as in the domestic banking system, eurocurrencies are loaned, redeposited, loaned again — each time 'earning' interest. Thus, on paper, the pool of money keeps growing." The Eurodollar market is now estimated at three hundred billion, but nobody knows for sure how big it really is. As we illustrated earlier, the Eurodollar market started as the money left overseas by our Balance of Payments deficits, but it is now much larger than our collected B.O.P. failures. It is a living entity growing on its own as these monies are expanded by being loaned out again and again with (in many cases) no reserves required. So the Eurodollar market grows like some giant green fungus choking the world with utterly phony money which bids up the price of everything.

This bank-entry money has to be loaned to somebody. And, as fate would have it, the demand for international loans has skyrocketed since the Arab oil boycott of 1973. The price of oil has quadrupled, and while that has naturally put a lid on the demand for oil, necessities must still be met. The eighty-six so-called Less Developed Countries (L.D.C.s) quickly began queuing up before the Big Six and other international banks to borrow money to pay for their oil imports. The Big Six were delighted to profit by bank-entry loans. Altogether the L.D.C.s have now gone into hock to the tune of about three hundred billion dollars, seventy-seven billion of it to U.S. banks. And, every year the L.D.C.s plunge ever deeper into debt as they must not only borrow more to pay for the oil, but also to pay the interest on money which has gone up in smoke instead of being invested in producer's goods. The L.D.C.s are on a treadmill that is going ever faster, with not a prayer of ever getting off.

Have David Rockefeller and his cronies suddenly turned their banking empires into a vast United Way to serve as a world charity? Has Truman Capote just been elected Mr. Muscles of Pismo Beach? Of course not. One thing we know about David Rockefeller and his fellow *Insiders* with the Big Six is that they are not stupid. If a taxi driver in Paducah can see that the Less Developed Countries are wastrels bent on indolence and self-destruction, so can the Harvard Ph.D.s at Chase Manhattan and J.P. Morgan. Yet Chase and Morgan continue to stuff money — much of it created out of inflating previous Eurodollar deposits and some from real deposits by Arab oil producers — into the maw of the L.D.C.s.

When you see international bankers lend billions to people who cannot possibly repay the loan you may safely bet there is something you don't know. During the last century, international bankers based in Europe became wealthy lending large sums to governments. If the government did not repay, a punishing war was arranged by the international loan sharks with another of their clients. A potential war made good surety for a loan. Today, while this ploy is still sometimes used, it is not as safe or practical as formerly. Now major loans from the big banks to the L.D.C.s are often accompanied by raw-material concessions to a related investment banking firm or other multinational corporation. It is these natural resources which are surrendered in the case of default.

Thus the Big Six keep the L.D.C.s on the hook until their controlled corporate associates foreclose. If the Less Developed Country refuses to honor its concession, the Big Six have two choices: they can cut off all future credit and let the L.D.C. starve; or, like any other loan shark, they can send their muscle boys around to threaten (or replace) the regime.

Another source for bailing out of the L.D.C. loans is for the International Monetary Fund, an arm of the United Nations, to step in and guarantee loans to the world's deadbeats. In a speech before the elite Economic Club of New York in March 1977, David Rockefeller said that "an adequate supply of public international credit . . . becomes a key prerequisite." Rockefeller proposed: "First, enlargement of existing public credit lines or guarantees. This may mean adding to the resources of international agencies such as the I.M.F. and World Bank. Second, increased public credit flows to each of the major classes of borrowing nations."

After the Rockefeller speech, I.M.F. chief Johannes Witteveen took steps to set up a special fund, known as the "Witteveen facility." It could more accurately be called the Big Six Bailout Fund as Treasury Secretary Blumenthal has committed the U.S. to putting up the first $1.7 billion to sweeten the pot. And that is apparently to be only a spoonful of sugar. *Time* magazine for August 15, 1977, reports that the Rockefellers' Citibank "has gone so far as to advocate an increase in total IMF resources to a staggering $100 billion." And the *Wall Street Journal* of November 14, 1977, quoted Senator Jacob Javits, longtime front man for the inflationist bankers, as calling for $250 billion to fund a ten-year "world Marshall plan" aimed at propping up the L.D.C.s to prevent a worldwide depression in 1979. We presume this will be known as the Javits Bankers Relief Act.

Meanwhile there will be great pressure to cancel loans owed our government by the L.D.C.s so that the indigent nations can use what monies they have to pay off the private bankers. The American taxpayer will be asked to bleed more and more to bail out the Rockefellers and their friends. Even so, it is probably politically impossible through taxation to generate the amount of money needed to meet the L.D.C. loans. If the Less Developed Countries start defaulting left and right you can bet that the Federal Reserve Board will rev up the presses and *print* the liquidity to bail out the Megabanks. Then, instead of paying for it directly in taxes, the American people will pay for it every day in wildly inflated prices on everything we purchase.

The banking *Insiders* expect this game to produce two of their most cherished dreams — control of the world's natural resources and their own domination of a One World currency. As James Davidson comments in *Penthouse*:

"Both the increased role of the International Monetary Fund and the trade deficit serve another of David Rockefeller's purposes — eliminating the worldwide use of the dollar in international trade. The U.S. voter still has some say concerning how much the dollar can be cheapened. Rockefeller's goal is to replace the dollar with a global paper currency that international bankers can inflate at will, without having to worry about Americans writing their congressmen. His idea is for the IMF to issue 'Special Drawing Rights,' a paper currency similar to John Maynard Keynes's 'Bancor,' which would be used in international commerce. Bancor and SDRs are an inflationist's dream — Monopoly money that can be printed up without having to pass Go. If the bankers play a bad game but still want to buy Park Place, all they have to do is run off a few tons of Bancor."

It is significant that the Trilateral

Commission has called for the creation of a World Federal Reserve System using bancor as the international currency. One remembers that the word *bancor* was coined by Fabian socialist John Maynard Keynes. Warren Brookes, financial columnist for the *Boston Herald American*, suggests: "Indeed, it was Keynes who made Marxism 'respectable' and profitable to Western Bankers!" You see, the fact is that international socialism is not a system designed to help the poor of the world but a con game for gaining control of the world's money and natural resources for the billionaire bankers and other Establishment *Insiders*.

The plan seems to be to ask the dollar to give its life for its country. Well, at least its country's bankers. This is why Jimmy Carter and Michael Blumenthal are pursuing the dollar-killing practices they are. If they really wanted to strengthen the dollar they would put a stop to inflation, balance our Budget and reduce the tax rate, and provide investment incentives to make the country competitive in world markets. Our private sector would be given the green light to develop our own energy resources and reduce America's dependence on foreign supplies. Why is our Trilateral Administration doing exactly the wrong things?

Our stock market is being beaten down so that Establishment *Insiders* can step in when the Dow Jones gets to 400 or so and the public is absolutely sure the market will never rebound. To assure the drop, Carter is pushing an energy program that will further raise the cost of petroleum through higher taxes, while not adding to production in the least, and all but guaranteeing a major recession. Meanwhile the continued sinkage of the dollar in European markets is being used as an excuse to sell the unpopular energy bill in the Congress while choking the economy with floods of fiat dollars spun out through the international bankers. And, to top it off, Carter is planning a deliberate sixty billion dollar deficit to assure runaway inflation from which the dollar will not recover.*

The death of the dollar may mean billions in wealth and tremendously increased political power for the *Insider* inflationists, but what does it mean for the millions of Americans who are dutifully saving a few dollars for a rainy day? What does it mean for widows and retirees on a fixed income? It means they will be charity cases at the mercy of a government which helped to improverish them.

If we really mean to stop all of this, a good way to begin would be by electing Congressmen this fall who are willing to take on and expose the power and schemes of the banking *Insiders*, choke back the deficit until inflationary spending is under control, and return control of this country to the American people. ■ ■

*Financial consultant Larry Abraham believes that the pressure on the dollar in European currency markets largely comes from our own banks shorting the dollar. He says that when the Big Six bankers make a loan they hedge against the inflation they know is coming because *they are creating it* by going short on the dollar in Europe. That way the banks guarantee themselves a profit no matter what happens. Abraham notes that the Arabs and European bankers are blamed for the pressure against the dollar, but observes that they are themselves sitting on so many dollars that they have no wish to see it depreciate.

CRACKER BARREL

- ■ One might be noble by birth, yet nobler by great deeds, said Henry Wadsworth Longfellow.
- ■ Procrastination is a fault that most people put off trying to corrrect.
- ■ It has been said that continual cheerfulness is a certain sign of wisdom or idiocy.