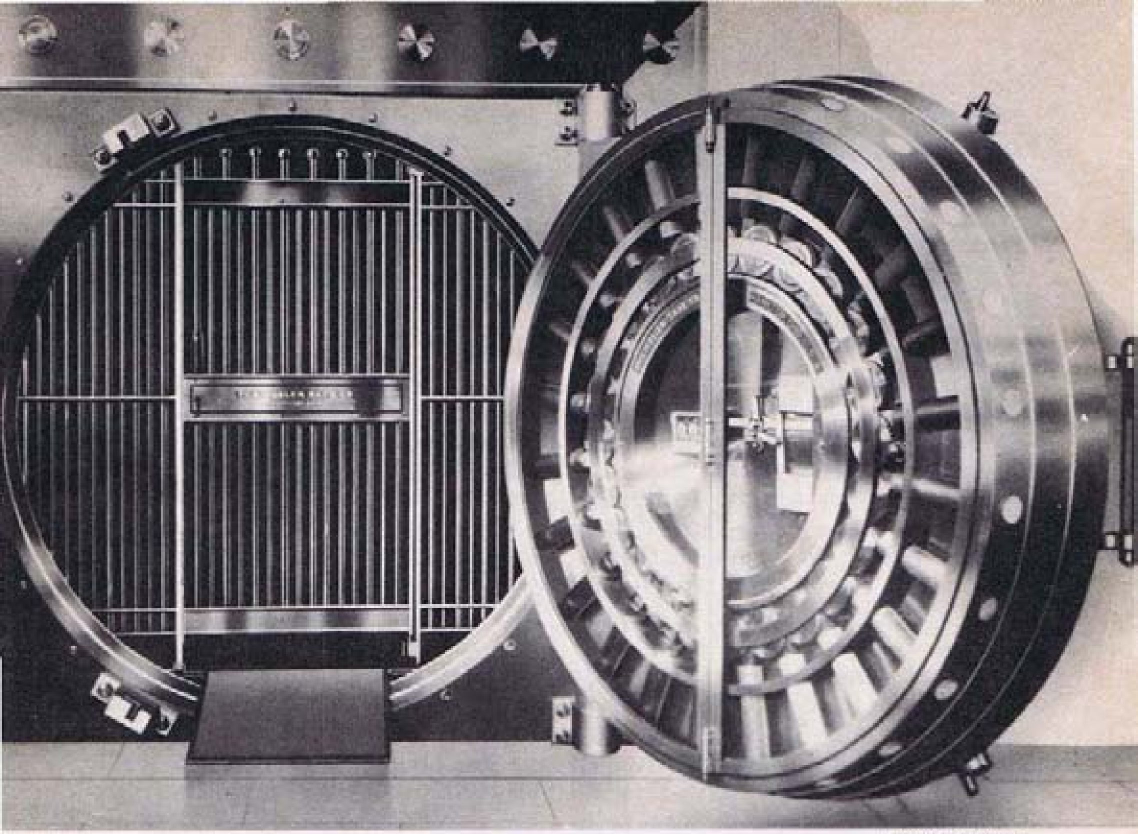

Harold M. Lambert

The Bankers And The Crisis In POLAND

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■ PRESIDENT REAGAN shocked his Conservative supporters in January when he allowed the United States Government to pay $71 million to a consortium of international banks in order to cover the interest on bad loans they had made to the Communist regime in Poland. The $71 million was the amount of one installment. Although the loans involved were guaranteed by the Commodity Credit Corporation of the U.S. Department of Agriculture, our law says the bailout money is not supposed to be paid until the bankers go to court and have the debtor nation declared in default. As the *Wall Street Journal* put it, the President was "bending U.S. law to keep Poland out of bankruptcy," though "for ordinary, non-Communist governments, no payment is made until the bank declares the loan in default."

Unless this policy is halted, it will require the U.S. taxpayers to accept responsibility for $396.5 million of guaranteed debt and interest that Poland is scheduled to repay by the end of 1982.* Again, this is without any formal declaration of default. Which means the West will continue to furnish still more credit to the brutal Polish dictatorship.

The decision to underwrite Poland's bad debts without insisting on formal default was made on the advice of Secretary of State Alexander Haig and after two weeks of behind-the-scenes pressures by the State Department. Reports suggest that while Defense Secretary Caspar Weinberger favored immediate default for Poland, the Departments of State, Treasury, and Agriculture resisted. Newly instated national security advisor William Clark issued a secret order to circumvent federal regulations that require the formal default. Syndicated columnist William Safire observed that Clark's "order to protect Poland from normal default procedures was passed along to at least seven major American banks at noon Friday before last [*January 29, 1982*]. The Polish junta was promptly informed; the West German banks were notified; the Kremlin knew all about it. The only people not in on Clark's 'secret' were the American people whose tax money was being used to make good Poland's debts."

Having first tried to hide the controversial decision from the American people by classifying the order as secret, Haig and Clark then attempted to make the bailout appear to result from a "tough" stance! Exposing this Libspeak for what it was, William Safire wrote:

"The abuse of the classification power was compounded by the cover-up that followed. A party line was propounded at State that turned truth on its head: the cave-in to the junta's financial needs was described in testimony to Senate Percycats as a triumph of toughness. Default, went this Orwellian argument, would let the debtor 'off the hook'; only by preventing default, insisted the Secretary of State, could we recover our money.

"In the case of sovereign nations, this alibi is palpably false. Countries are not corporations with limited liability; when Poland defaults, it must make good on its debts before getting credit again. The same with Romania, next on the Clark-Haig list for largesse. Default is sustained and serious pressure, and is not relief from pressure. Nor are we trying to recover money; we are trying to end martial law. The Reagan Administration is deliberately misinforming the American taxpayers on this . . . ."

At a Senate Banking Committee Hearing on February twenty-third, Administration spokesmen again tried to defend the no-default decision. Lawrence Eagleburger, Under Secretary of State for Political Affairs, stated: "The Polish government is paying its debt obligations, albeit slowly and partially. Default would give the Polish government an excuse not to repay those creditors calling default."

Eagleburger is, like Haig and Trea-

*There was an attempt in Congress, initiated by California Republican Jerry Lewis, to bar the use of Commodity Credit Corporation funds to cover Poland's bad debts. However, under strong Administration pressure, the House rejected the measure by a vote of 256 to 152. Instead, the House approved a bill giving the C.C.C. some five billion *more* dollars to lend in 1982!

The Red dictatorship in Warsaw now owes the West some $30 billion — $16 billion to banks and about $10 billion to Western governments. Unless President Reagan takes decisive action, the American taxpayers might have to assume responsibility for $396 million in bad Polish debts by the end of this year.

sury Secretary Regan, a member of the Council on Foreign Relations, the Establishment organization whose members include representatives from all of the banks involved.

Contesting Under Secretary Eagleburger's position was Felix G. Rohatyn, a senior partner in the investment banking firm of Lazard Frères and chairman of bankrupt New York City's bailout board, the Municipal Assistance Corporation. He is *not* a member of the C.F.R. Although Rohatyn had favored the bailout of New York City in 1975, he insisted that in the case of Poland a declaration of default would force Moscow to accept full responsibility for Warsaw's financial plight while serving as a warning to other countries that they must meet their obligations or face sanctions. He observed: "Poland is bankrupt and has been for some time. The real issue is not the reality of its bankruptcy, but whether we are willing to provide additional credits not only to Poland, but to the rest of Eastern Europe."

One of the strongest critics of extending credit to the Marxists, and especially of the Administration's Big Bank Bailout, is Zdzislaw Rurarz. He is the former Polish Ambassador to Japan who defected to the West after General Jaruzelski imposed martial law on his homeland. Rurarz, a former finance advisor in the Polish Government, maintains that "Communism is a dying system," and by subsidizing it with loans the West is only "prolonging the agony" of those who are enslaved under it. The no-default decision not only betrays the Polish people, insists Ambassador Rurarz, but it gives the appearance of "bailing out the regime from a very desperate situation. You should not be helping it. You should bring it to its knees." Instead, reported the *Wall Street Journal* for February 3, 1982, the Administration is "slipping into tacit collaboration with martial law by making it easier for the Soviet bloc to finance repression."

Western governments and bankers began lending to Warsaw in the late 1960s and early 1970s. When the Communist thug Edward Gierek became Prime Minister in 1970, he looked to the West to finance development of Polish industry. Western bankers enthusiastically poured in the money, not only to Poland but also to the U.S.S.R. and its other satellites. As the C.F.R.'s David Rockefeller explained, "In terms of straight credit risk, the presumption is that there is greater continuity of government in certain socialist states than in non-socialist states."

An article entitled "What The

Bankers Did To Poland" appeared in the September 22, 1980, issue of *Fortune*. There financial writer Juan Cameron relates how Poland's huge debts accumulated. "Poland became a major consumer of Western credit during the Gierek regime," notes Cameron. "Gierek wanted to hasten the development of Poland's rich coal and copper resources, as well as its sulphur, titanium, and lignite deposits. To build up its automobile and refrigerator industries, he developed a modern steel industry. During the 1970s an electronics industry took shape and Poland's shipbuilding industry was enlarged and modernized — all with the help of Western technology and Western capital."

At $741 million in 1970, Poland's hard-money indebtedness increased to $10.6 billion by 1976, then to $20 billion in 1979. Today the Communist regime in Poland is up to its eyeballs in debt to the West. It owes us about $26 billion — some $16 billion to five hundred Western banks and about $10 billion to Western governments. Rapidly approaching the $30 billion level, this indebtedness increases daily as unpaid interest is added to the principal.

According to Juan Cameron: "The bankers believed the new industries these loans were creating would generate enough exports to enable Poland to repay its hard-currency borrowings and raise its standard of living with the money left over."

Unfortunately, even with the huge transfusions of wealth from the capitalistic West, Poland's bureaucratically planned socialist economy was not productive enough to pay its debts. Warsaw soon began to borrow more money just to pay the interest it owes. Now the payments on interest and principal are greater than the value of all Poland's exports. It has not been declared in default, but it is obviously bankrupt in every other sense of the word. Indeed, Poland's reserves of Western currency and gold are exhausted, and because its economy is in shambles it has no way of earning enough hard currency to pay those debts.

The February 1, 1982, issue of *Research Reports*, published weekly by the authoritative American Institute for Economic Research (A.I.E.R.), contains an excellent analysis of Poland's failed economy. Consider:

"The zloty, the unit of Polish currency, is highly distrusted by the Polish consumer. Workers complain that they have too many zlotys — zlotys which cannot purchase anything of value. The shelves of the state stores (which sell goods at heavily subsidized rates) are stripped bare. In some instances, customers have been forced to stand in food lines for 24 hours or more. Workers, who are paid in zlotys, try to exchange them for 'hard' Western currencies or goods as quickly as possible. Western currencies are used extensively for the purchase of goods not generally available. Basic consumer items such as toilet paper, cigarettes or liquor are hoarded and used in barter transactions. Farmers come to urban areas to exchange their produce for manufactured goods or foreign currencies. Without this thriving black market, many Poles would be in even more desperate straits."

Like its commerce, Polish industry and production are also very inefficient. Zygmunt Szeliga, deputy editor of the weekly newspaper *Polityka*, observes sardonically: "Printing banknotes is the only Polish industry working 24 hours a day." And the A.I.E.R. reports that "Misallocation of raw materials, industrial equipment, and spare parts has severely affected the output of Poland's basic industries. Heavy industries require a steady flow of raw materials, such as coal and pig iron, in order to maintain consistent production levels. The seemingly automatic flow of materials which occurs in a well-functioning economy has been severely disrupted in Poland. Like consumers, plant managers at all levels have been hoarding materials in an attempt to 'plan ahead.' Materials thus are in short supply. When equipment breaks down, it sits idle due to a shortage of parts. The parts are usually available *somewhere* in the economy, but not where they are needed. Production facilities have their full complement of workers; yet, many factories are producing little, if anything, because of equipment breakdowns and materials shortages. In the past two years, industrial production in Poland has declined 25 percent."

The difficulty of economic calculation, as Professor Ludwig von Mises has shown, is the central problem of socialism. In interventionist and socialist countries the decisions of socialist bureaucrats are substituted for the self-correcting price system of a free market. The result, as Mises put it, is always "planned chaos." The A.I.E.R. uses the example of milk production in Communist Poland to illustrate the problem:

"Poland is blessed with an abundance of agricultural land, and milk is an important commodity to Polish farmers and consumers. The government pays 10 zlotys per liter to farmers. This is a sound *political* decision, since farmers need a good price to ensure their livelihood. The government sells the milk to consumers for only 4 zlotys per liter. This is another sound *political* decision. Cheap milk means happy workers — workers who will not revolt against the regime. However, one result is that many farmers go to their local state store, buy milk for 4 zlotys, and sell it back to the government for 10 zlotys, making a nice 150 percent profit for their trouble. Another result is that much milk is wasted or spoiled, not only because of processing or distribution inefficiencies, but also perhaps because it is so 'cheap' (only 4 zlotys per liter)."

Artificial price supports for producers, coupled with government's below-cost subsidies for consumers, divert resources and factors of production away from their natural areas of comparative advantage, resulting in shortages and higher real prices for other products. It is also a terrible drain on the government treasury. Multiply the example of milk times that of all the other goods and commodities regulated by government intervention, and you begin to see why Communist economies are all basket cases.

Poland's debt situation had already become very serious when, in April of 1980, fifty major Western bankers met at the Victoria Hotel in Warsaw to discuss the problem with Polish officials. One result was that some of Poland's debts were "rescheduled" — the payments stretched out so that they would be more in line with Poland's ability to pay. Another $325 million loan was made to Poland to help it finance its previous debt accumulation. Also, according to Juan Cameron, the Western bankers "hammered hard at the Polish price system, particularly for food, under which the prices of goods like sugar and meat were kept far below market levels, at an annual cost to the Polish government of more than $6 billion."

The money lenders had their reasons. Reducing the subsidy of food by increasing the official prices would amount to a tax increase —

Conservatives applauded the President's decision to reject a $65 million loan guarantee for Communist Romania, now sinking under a hard currency debt of about $14 billion. Huge extensions of credit from Western banks to the Communist bloc have kept Red regimes afloat and fueled Moscow's military buildup.

and make more funds available with which the Communist government could pay some of its debts to the international bankers. In his *Fortune* article, Cameron reports the ensuing sequence of events and tells how the policies urged on the Polish Government by the bankers backfired:

"Most of the bankers were pleased when the Polish government — although without warning — doubled the price of sugar in June and raised the price of meat on July 1. But many were shocked by the ensuing strikes, which they hadn't foreseen. And the strikes themselves worsened Poland's economic condition, which had been on the upswing during the first half of the year."

What is fascinating about all of this is that it was entirely predictable. The same scenario has often been repeated when command governments try to keep food prices artificially low and then attempt to raise them.

Of course strikes, rioting, and protests are not new to the captive peoples of Poland. Since World War II the economic and political crises of Polish Communism have sparked major unrest in 1956, 1968, 1970, 1976, and almost constantly since. Hundreds of Poles were killed in both 1956 and 1970 when soldiers fired on the demonstrators. To blame this shameful record on "distortions" of Marxist doctrine, as successive Polish regimes have tried to do, is like blaming Soviet grain shortages on sixty-five consecutive years of bad weather.

Against this background, strikes were initiated in July and August 1980 at the Lenin Shipyard in Gdansk to protest abrupt hikes in the price of meat. They soon grew into a nationwide phenomenon, produced the Solidarity labor movement, and economic resistance grew.

All of this turmoil set the weak Polish economy back even further, aggravating an already dismal situation from the perspective of the bankers. Poland was even less able to make payments to its creditors than before. And the megabankers began to see their investment in Communism wither away as the Polish people attempted to gain concessions from their Communist rulers. The freer the Poles seemed to be from Soviet domination, the less likely it appeared to the bankers that their loans would be made good by the Soviets.

In the past Russia had, indeed, aided Poland with its debts. The U.S.S.R. began selling large quantities of gold for this purpose. The bankers decided the best course was for the Soviet Union to strengthen its grasp over Poland. Indeed, as Anthony Sampson writes in his recently published book, *The Money Lenders*, "Several bankers privately admitted that they would feel much safer if the Russian tanks rolled into Poland."

Of course Solidarity and the popular unrest were not only a threat to the big banking interests, they also posed a threat to the Communist hierarchy. An independent labor union is a deep embarrassment for the Reds since the Communist Party claims to speak for the workers. From the Communist point of view, the situation became increasingly intolerable. In December of last year, Poland's military dictator imposed martial law and drove Solidarity underground. The reaction of Western bankers was fascinating. As the *Wall Street Journal* put it:

"Short of the repression in Poland itself, nothing has been more reprehensible these last few weeks than the sight of Western bankers cheering on the Communists in their 'austerity' program in the hope that slave labor will bail out their ill-advised loans . . . . Ironically, the most important single thing we can do to punish the Soviet Union is to get our bankers to behave like bankers. If they charged a price commensurate with the real risk we now see in Poland, Western capital would no longer be siphoned into the Eastern bloc, and the Communist economy would creak into bankruptcy not only in Poland and Romania but in the Soviet Union itself."

The Soviet-sponsored crackdown in Poland, however, does not solve the problem of the bad debt. The Soviets and the bankers had hoped that imposition of the martial law would get Poland back on its economic feet — but they are discovering that it is not easy to enforce productivity at the point of a bayonet.

The bankers assume that governments are the best and safest debtors. Political states, after all, possess the power to tax, giving them access to huge amounts of wealth. When they can, the giant bankers prefer to secure their loans with political force. But they evidently miscalculated in the case of Poland and the Soviet Union. The Soviets cannot be forced to pay Poland's tab. That is, the bankers cannot tow away the Kremlin or the Lenin Steel Works. So they are now moving to get another political state — the U.S. Government — to foot the bill.

Zdzislaw Rurarz comments: "I was always puzzled by the naïveté of the commercial banks and private businesses who lent money to Poland." Especially critical of the West Germans, he remarks, "They were believing that one day somehow that money would be repaid by Poland, and if not by Poland, then the USSR. Now they believe that if they do not provide new credit, they will go bankrupt. The result is that they will sink deeper."

But the fact is that the megabankers are not naïve at all. With their political clout in the offices of our government, they believe they can assure themselves that, if the loans are not repaid by either Poland or the U.S.S.R., they will be met through the International Monetary Fund (as was done a few years back with Turkey) or directly by the U.S. Government. Indeed, they felt secure in making the loans because they were encouraged by Western governments to do so, with the at least tacit understanding that they would be backed up by those governments. Or, as the *New York Times* put it so candidly, "The way to bargain with debt for strategic ends is to concentrate it in government hands. Sooner

(*Continued on page ninety-one.*)

From page thirty

BANKS AND POLAND

or later, the Western governments will have to bail out their banks anyway."

Even the heavily exposed West German banks have at least part of their loans (nearly $2 billion) covered under the West German Government's own export credit guarantee system. In addition, individual banks have been setting aside contingency funds to brace against a possible default down the line.

But the American banks that overlent during *détente* have simply arranged for the American people to pick up the tab. Talk about political clout. The U.S. banks involved in the Polish loan scam include the biggies — Citibank, Chase Manhattan, Morgan Guaranty Trust, Chemical Bank, Marine Midland Bank, Bank of America, First National Bank of Chicago and two lesser known institutions, First Wisconsin National Bank and Girard Bank of Philadelphia.

From the point of view of the big banks, *détente* and East-West "trade" were extremely profitable. And these loans were virtually riskless. The lack of moral and financial responsibility of the big bankers is reflected in their eagerness to make almost any kind of loan to almost any foreign borrower as long as the banks are guaranteed against loss by the U.S. Treasury or the Federal Reserve acting as the lender of last resort. Even if the money has to be run off high-speed printing presses!

Do not think that the megabankers would shrink from embracing runaway inflation. That is exactly what they are prepared to encourage as a last resort for "socializing" their losses. Veteran analyst Julian Snyder, editor of *International Moneyline*, tells us that the Polish bailout sets a precedent which is "a clear signal that the world is going to reflate, and that we can look forward to massive money and credit creation and currency depreciation several years hence. The inflationary writing is now on the wall and a new bull market in gold is inevitable." If it happens, the dollar could become as worthless as the zloty!

A big trouble in dealing politically with all of this is that Americans have been led to believe that the big international bankers are "capitalists" and that they are staid, careful, and conservative. They have in fact shown themselves to be wheeler-dealers who promote government interventionism and loose schemes to enrich themselves at the expense of the public. In addition, their Leftward push for more government is part of a wider and even more sinister purpose: to destroy what remains of upwardly mobile Private Enterprise and establish a New International Order that will give them control over the world's resources. They are after precisely that One World monopoly for which they call constantly through the Council on Foreign Relations. And what would be more monopolistic than socialism — a system in which the government owns and controls the various industries, while the *Insiders* behind the scenes own and control the government?

When government is permitted to intervene and direct a nation's economic affairs, it inevitably becomes the tool of powerful special interests and elitists who use it as their own holding company, legitimizing their power grab behind the facade of socialist mythology. Each step in creating the monolithic cartel is taken in the name of "the people" and ostensibly for the "common good" or "general welfare." Socialism is only a coercive monopoly — and a One World socialist state is the ultimate monopoly.

Is it any wonder that some of the richest men in the world encourage the growth of political interventionism and World Government? These are the operators who have amassed great fortunes not by honest competition in a free market but through political pull and favoritism, government intervention to restrict their competitors, and manipulation of a fraudulent system of money and banking backed by government force.

Far from advocating Free Market capitalism, the *Insiders* of international banking fear *laissez faire* like Dracula fears silver crosses and wooden stakes! Indeed, they guarantee themselves huge profits by getting the federal government to pledge your income taxes to cover their loans to Communist and other deadbeats who have little or no means of paying their debts.

Now the game has reached a more dangerous stage. The Polish debt crisis has brought into question the credit-worthiness and indebtedness of the entire East bloc. Total Soviet and East European debt to non-Communist nations and banking institutions is estimated to be approximately $90 billion. When you owe somebody such huge amounts of money, you are no longer just an ordinary debtor; you are a partner.

In an article on the "Trade Trap," which appeared in the November 1980 issue of this magazine, your correspondent reviewed a fascinating book called *Vodka-Cola* which explores the structure of the Establishment *Insiders*' relationship to Communist governments. The author, Charles Levinson, writes that these world-scale financial interests are in full "support of the unhindered perpetuation of the Eastern regimes with whom they have an ever-growing financial and economic community of interests. Obviously, with investments in the $50-100 billion range and debts on the same scale, the multinationals and the banks would definitely not be content at the prospect of a change in the Eastern regimes. In economic terms, such a change would probably result in the repudiation of all external obligations and debts contracted by the present undemocratic, non-elected, oppressive regimes . . . . The multinationals and banks, therefore, have a vested, direct, financial interest in the perpetuation of these oppressive regimes and must be among their most solid, if tacit, supporters."

William J. Quirk, professor of law at the University of South Carolina, astutely analyzed and predicted this danger in an article entitled "Dollars for Detente" published in the March 31, 1979, issue of *New Republic*. Professor Quirk warned:

"The point is that the loans have been made on faith and not on facts. And faith in what? Russian honor? The bankers cite great natural resources and a good recent repayment record. A good recent record, of course, is easily explained as the necessary bait to draw the capitalist rabbit into a credit trap. The real problem is not the ability to repay but the *willingness* to repay. This is different from the case of the underdeveloped countries, which could not repay all the billions they owe the international banks, even if they wanted to do so. The touchy thing about the loans to the eastern bloc is the *desirability* — from the Russian point of view — of repayment. That is purely a question of Soviet policy. If it seems wise to repay, they will do so. But if the Russians think the time is right, they will default and the Soviet IOUs will go the way of Imperial

Russian Bonds . . . . A taxpayer bail-out is inevitable. The Lockheed-New York City scenario will be followed. David Rockefeller will argue that the U.S. government encouraged these loans in the name of detente, and it cannot stand aside now that they have gone sour."

Meanwhile Western credit, aid, and technological transfers of immense magnitude have permitted the Soviets to engage in the most awesome military buildup in the history of man. If the Russians are now militarily superior to the U.S., it is only because their war machine is based on Western technology and credit. The Reagan Administration would not now have to be spending huge amounts on national defense if it had not been for the policies of *détente* which kept the needy Communists from falling light-years behind. Socialism is a parasitic system; it cannot advance on its own without help from an external host. It is therefore high time we demanded that the West stop being the host to the Marxist parasites and their military-industrial complex.

To the good, President Reagan has just rejected a $65 million Commodity Credit loan guarantee for Romania, which looks to be the next Soviet satellite going the way of Poland. Private banking spokesmen admitted that Romania is already about $1 billion in arrears in its debts to Western creditors. This debt will get even heavier unless the Bucharest regime can quickly find new sources of funds. Which is one reason why Romanian leaders are seeking financial help from Uncle Sugar. Like Poland, Romania is broke.

The Romanian Government's estimate of its hard-currency debt is $6 billion; however, Western banking authorities reject this as "ridiculously low" and maintain that the regime's real debt is between $10 billion and $14 billion, with at least $5 billion owed to U.S. and European banks. It is interesting to note that Romania became the first member of the Warsaw Pact alliance to join the International Monetary Fund in 1973 — and has drawn money from the I.M.F. on at least six occasions over the past nine years.

Mr. Reagan's decision to turn down Romania's latest loan request — over the objections of both the State Department and the Department of Agriculture — is clearly a sound one and gives us hope that there is still a chance that the bad precedent the President set in the case of Poland can be reversed.

If the Administration means business, it must take appropriate measures to cut off aid to, and trade with, Communist governments. If this ban is circumvented by our allies, we should then cut off aid to, and trade with, any nation that ships U.S. technology and products to any Communist nation. Of course the problem is that this strategy is opposed by the Establishment's multinationals with a vested interest in East-West "trade." Especially through their hold on our "allies" in Western Europe. Zdzislaw Rurarz states that the Western Europeans "are so afraid of the U.S.S.R. that they are ready to surrender. They should come to their senses. The U.S.S.R., I believe, is really in a deep crisis. Everybody should help that crisis to develop. If you were not exporting food to them, there could be a food riot in the U.S.S.R."

The Europeans favor trade and credit to the East bloc for at least two reasons: their increasing fear of the Soviet bear and the militarily strong Warsaw Pact alliance on its borders, and the hope that East bloc industrial development will enable the Reds to pay back the huge loans. This may be why the Trans-Siberian gas pipeline is still underway — even though the Reagan Administration has officially opposed the project.

But that is their problem — not ours. It is time America pursued policies that are in America's interests rather than those of the Establishment *Insiders* of international banking. It is probably true that the Russians could circumvent a grain embargo if it were imposed by the U.S. alone. But what the Communist bloc needs most is capital in the form of "hard currency" to pay for technology and grain from the West. The U.S. is still the center of world capital markets. This suggests a solution.

Elimination of special credits, guarantees, and government-subsidized loans to Communist-controlled nations would remove an important prop on which the Reds depend desperately. Even a one-year ban on guarantees would cripple their already faltering economies. By stopping our easy loans for technical and food sales the West could cut the supply line to the Soviets, causing their socialism to run out of gas and die. Instead, we are pulling them out of yet another crisis!

Vladimir Ilich Lenin is reputed to have said that "the capitalists will compete with one another to sell us the rope with which we will hang them!" If Lenin said that, however, he was wrong. Since our banks have loaned the Reds the money with which to buy the rope, and since we now know they will not pay back the loans, it would be more accurate to say that we are *giving* them the rope with which to hang us.

The people who are hurt in this swindle are the American people, who are being ripped off, and the millions behind the Iron Curtain who continue to be oppressed by Communism as a result. It can hardly be denied that without the continual infusions of wealth and technology from the West over all these decades, the socialist tyrannies would not have been able to maintain their power over their enslaved populations. Nor would the Soviets pose a military threat.

The solution, to repeat, is for America to stop food and technological transfers to the Soviet Union and its satellites, thus creating immediate crisis there and freezing the Reds at their present level of technology. This could be done simply by cutting off all government-provided insurance to companies and banks offering goods and loans to the Communists. Indeed, a case can be made for imposing a legal ban on trading with the East bloc. But, at the very least, firms should be required to trade and lend only at their own risk. Let the banks and multinationals know that if default occurs it is they who will be bankrupted and not the American people. ■ ■

CRACKER BARREL

■ "Why," asks Congressman William L. Dickinson, "should we give the fruits of our free system to an adversary who is dedicated to our destruction?"

■ J. Kesner Kahn said it: Since it was President Franklin "Some-of-my-best-friends-are-Communists" Roosevelt who gave Poland to the Soviets, we do have some responsibilities for the plight of the Polish people.

■ Theodore Roosevelt was the first U.S. President to leave the country while in office. In November, 1906, he sailed on the *U.S.S. Louisiana* for Panama and Puerto Rico.

■ Someone said to Confucius, "Recompense injury with kindness. What do you think of that?" Confucius replied: "With what then will you recompense kindness? Injury must be recompensed with justice, kindness with kindness."