under U.S. auspices to replace the "nation-states": and thumped, like most other banking spokesmen at the hearings, on the virtues of the Carter energy program "to cut our dependence on imported oil."

With various nuances, the less ambitious statements of other bankers amounted to the following:

Foreign lending is a problem in spots.

The spots are really the lower-tier First World countries like Turkey.

The $10 billion Witteveen Fund of the IMF must be approved by the U.S.

And everyone should stay cool.

There was one literary flourish which U.S. Treasury Department has been relaying privately to Congress as well: the U.S. in the 19th century was a big foreign borrower, and a developing country, and look how well it all turned out — this from Chase, simply to prove that "there is nothing wrong with debt in itself," as Undersecretary for Economic Affairs Richard Cooper affirmed first off.

Citibank spokesman Irving Friedman declined to explain to the Senators that with proper arrangements geared toward crash-program industrial and agricultural development, debt can indeed be a useful mechanism. Instead, Friedman mumbled in favor of a $100 billion IMF slush fund for the banks, and only after questions from the banking committee attacked the Chase austerity slaughter policy, never identifying the policy as Chase's. Formally the hearings' spectrum ranged from Treasury Secretary Anthony Solomon's insistence that everything is under control to Javits' invocation of a world economic catastrophe.

In effect, the hearings were a least-common-denominator plea to keep the IMF afloat, and maintain political confidence in the dollar system.

Proxmire's 'Banking Return' Will Push The Economy Over The Edge

The Securities and Exchange Commission (SEC), allegedly spurred to action by the Bert Lance scandal, asked bank holding companies today to disclose any "sweetheart" loans to executives of companies that have had dealings with their banks or any other improprieties.

BANKING

Like the made-to-order Lance affair, the SEC's sudden, first-ever move is an operation by the Lazard Freres investment house crowd, the principals behind the "Mondale option." It is one more step toward setting up the blackmail and terror apparatus by which to crush any, in particular regional, opposition to Lazard's plans for Schachtian reorganization of the economy. But first the investment house gang must gain control over the nation's banking system and credit supply.

Proxmire's FINE Retreat

The high point of this assault on the national economy is expected to come at Senate hearings, Sept. 13 through 16, into bank regulatory reform which will be directed by Sen. William Proxmire (D-Wis), the arch-Fabian chairman of the Senate Banking and Currency Committee.

Roy Schotland, a former aide to the House Banking Committee and now a "left-CIA" operative at Georgetown University law school, reported Aug. 30 that banking malpractice scandals built along the lines of the Lance affair will be introduced for the consuming interest of the committee. "Many, many banks are riddled with conflicts of interest," Schotland gloated, "And every congressman has some banking ties."

As the publicity begins to pour in around the scandals, Proxmire, according to his chief banking aide Ken McLean, will use the atmosphere to motivate passage of his banking regulatory reform legislation, Senate bill S. 711, a threadbare revision of Italian fascist Mussolini's banking codes. "The Lance affair and the like may lead some Senators who were skeptical of supporting the bill (S. 711) to change their minds," McLean threatened.

Proxmire's current bill is less all-encompassing than its predecessor, the FINE (Financial Institutions and the Nation's Economy) legislation and was first proposed by Rep. Henry Reuss (D.-Wis.), chairman of the House Banking Committee. Reuss still supports FINE in its original form, which included proposals on "full employment," housing, and slave-labor measures, but Proxmire is more "pragmatic." "The other stuff in the FINE bill may have gotten it bogged down" among conservatives, McLean said, adding that Proxmire's new approach will be instead a "safer" piecemeal implementation of the entire FINE legislation.

The Power To Make Or Break Banks

Consideration of the bare framework of Senate Bill 711, however, shows that it is already much more than a simple foot in the door for the rest of the Mondale crowd's fascist legislation.

Under the terms of the bill, a Federal Bank Commission would be created, headed by a five member board and incorporating all existing regulatory functions of the Federal Deposit Insurance Corporation, Federal Reserve Board, and the Comptroller of the Currency. The powers of the proposed Federal Bank Commission (FBC), while apparently restricted to supervision and regulation, are enormous, including powers of inspection, and final say over mergers, who can buy what bank, where new branches of a bank can be set up, and certain standards of financial soundness!

The powers of the proposed FBC do not stop there. Proxmire would give the commission additional power to issue heavy fines or jail sentences against bank officers found guilty of bank laws, and to issue cease and desist orders to banks to prevent them from making loans that the FBC considers unsound, no matter what their purpose.

The authority to monitor loans virtually hands the FBC the power to freeze or unfreeze assets, the power to make or break banks.

By such means the Lazard forces behind Proxmire's FBC proposal intend to gain the ability to broker which way the economy is reorganized by having a tight grip over every aspect of the nation's available credit.

The targets have already been selected: the southern banking industry, notably in Texas, and the nation's savings and loan associations, which are both better off financially than the New York banks, and also strong underwriters of the economy.

"We must watch closely the practices by which banks swallow up smaller local banks; that is partly the question of the Lance scandal," one congressional banking aide said, cooking up a scandal in congressional hallways aimed at Texas banking, which recently has been on a merger spree with large banks picking up smaller banks.

"The American Bankers Association and some bankers are much too strong," Georgetown's Schotland added. Any elected official or banker who disagrees may find himself in jail.

New York Investment Houses Apply Debt Weapon To East Bloc Economies

A secret memorandum is now being circulated among NATO circles by political networks under the control of Lazard Freres and other New York-based investment houses, proposing to cut off credit to the socialist countries unless they accept concessions on arms limitations and imposition of International Monetary Fund conditions of austerity.

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To enforce the use of the debt weapon, the memo demands that the Soviet bloc be threatened with total cancellation of Western funds, equipment, and supplies for energy-related projects (such as the Eastern European gas pipeline), while Western European countries are kept in line through blackmail threats of U.S. protectionist measures against Europe's exports.

This gameplan, with its implications of trade war and disruption of foreign exchange flows, bears the fingerprints of investment houses, which as such are not concerned with the functioning of the real economy because they own no assets other than dollar-denominated paper.

The idea of using the East bloc debt — which now amounts to about $50 billion, of which 60 per cent is owed to commercial banks — as a political weapon is not new in monetarist circles. In June 1976 then-Secretary of State Henry Kissinger had proposed to the Organization for Economic Development and Cooperation (OECD) the development of a "systematic work program" on objectives and approaches to East-West trade focusing attention on the "Comecon's growing dependence on Western credit sources." Zbigniew Brzezinski, now National Security Advisor, had predicted at that time that "the U.S. government will be called upon to negotiate, to guarantee, and, to some extent, to protect the various arrangements that have been contrived even by private business," in his article "America in a Hostile World" in *Foreign Policy* of summer 1976.

What is new in the present monetary offensive against the East bloc is the broad scope of its deployment, its virulent tone, and official endorsement. It has become an issue of life or death.

Following the NATO scenario, diverse policymakers are provocatively calling for the imposition of self-destructive International Monetary Fund "discipline" (in other words, austerity) on the Comecon countries.

Senator Jacob K. Javits was particularly blunt in his Aug. 29 testimony before the Senate Committee on Banking's Subcommittee on International Finance: "We should encourage the Soviet Union and other Eastern European countries to participate actively in the operation of the international economic system by joining the World Bank, the IMF, and other financial institutions . . . . Whether the socialist leadership of the Eastern countries likes it or not, those countries are part of the system and we must ensure that they accept their share of the responsibility for its operation . . . . The private enterprise system of the developed world simply must be brought into the picture in a massive way."

Echoing Javits, Richard Portes, a London-based thinktanker who is currently a visiting professor at Harvard University, writes in the July 1977 issue of *Foreign Affairs*: "Policy planners must consider the implications of relating international agencies like the IMF to the broader economic and political problems of East-West interaction."

Coordination

To pave the way for such an IMF intervention, Lazard and related forces expect first to "coordinate" the available information and lending policies of the Western nations — i.e., bring into line the Western European countries otherwise willing to expand their cooperation with Comecon. The Bank for International Settlements