

BIS hails Dope, Inc. power over U.S.

by David Goldman

The Bank for International Settlements, headquarters for the world's financial oligarchy, announced bluntly in its 1985 *Annual Report*, that the network of flight capital and narcotics revenues known as Dope, Inc., has taken over the world financial system. In the report, issued June 10, the BIS insisted that the principal political consequence of this takeover, was that Dope, Inc. now had the unquestioned capability to blackmail the United States government, especially with respect to its defense budget.

A week earlier, the financial oligarchy for whom the BIS serves as an enforcement agency, met in Hong Kong, for its annual deliberation, the "International Monetary Conference." Switzerland's most powerful banker, Rainer E. Gut of the giant *Crédit Suisse*, previewed the report's conclusion in a June 4 speech, which described the demolition of all national supervision of national credit markets, and the final integration of all national credit markets into the so-called "Euromarket." The "Euromarket," based in Switzerland, London, and various pirate islands subject to no scrutiny by national financial authorities, depends on a \$300 billion per year flow of illegal flight capital, tax-evasion, narcotics, and other criminal proceeds, and similar funds.

Financial 'innovations'

What is new, both the BIS and banker Gut emphasized, is that the pool of dirty money has achieved a sort of monopoly over international credit, largely at the expense of the bankrupt American banking system. The American banking system, in effect, went bankrupt with the May 1984 failure of its eighth largest bank, Chicago's Continental Illinois. The result of this failure can be measured in the simplest terms: in 1981, American banks dominated the world credit markets, and made \$111 billion in new loans. In 1984, they lent merely \$7 billion abroad. That fact summarizes what everyone knows: Although Fed Chairman Paul Volcker has preserved the corporate shells, the banks are bankrupt. Therefore, they do not lend.

Instead, Gut's *Crédit Suisse*, its American partner First Boston, and similar financial pirates arranged more than \$100 billion of so-called "Eurobonds" in 1984. "Eurobonds" and similar types of paper, through which governments or cor-

porations obtain loans from the dope traffic and similar sources, will probably double in volume this year. "Eurobonds" are notes payable "To Whom it May Concern," i.e., to the bearer of the note; the origin of the capital obtained by the borrower is private and untraceable, transacted under Swiss bank secrecy laws. The bankrupt commercial banks have all but given up lending. They are arranging similar dirty-money transactions, under the name of "note issuance facilities," and other so-called financial "innovations," which have the same common denominator: The source of funds remains secret.

In its just-released report, the Bank for International Settlements, a private bank under Swiss law, with public powers usurped from national central banks, praises "the development of new financial techniques and instruments. The cause for this is a whole series of factors, among which the most important may be, that market participants are trying to minimize the burden of taxes and regulations."

This occurs, the BIS continues, amid "structural changes, which have operated upon credit institutions and the financial markets," namely, "the internationalization of this field—a process that had already begun in the 1960s . . . But today it has reached such a level, that the way in which the provision of credit occurs has been fundamentally changed. This can be seen, quite generally, in the rapid expansion of capital flows across national borders, with considerable consequences for the development of exchange rates."

Swiss banker Gut had put it more bluntly a week earlier: "We are already living in a global capital market . . . in which national authorities have simply been bypassed." In particular, Gut emphasized, such countries as West Germany, whose past official policy sought to insulate the national financial market from the unregulated Euromarkets, are now fully integrated despite their central banks. Indeed, the major topic of discussion in the West German financial press, during the past month, has been bankers' demands for a "financial free port" in Frankfurt: Without total deregulation, bankers complain, all their business will continue moving to Switzerland.

Blackmail over United States

Having concluded that the international pool of drug and other dirty money has not merely taken over all international lending, but smashed all national barriers to its free circulation, the BIS proceeds to dictate terms to the United States. Without an "orderly reduction in the U.S. budget deficit," to prepare a "soft landing" for the American economy, the power of the global financial markets may force the United States into a crash. The BIS emphasizes what everyone knows, namely, that the United States economy is living on a gigantic subsidy from the rest of the world, obtaining cheap imports of industrial components at a fraction of their true cost, by virtue of the overvalued dollar, which can buy double or triple

its true value in world markets. This subsidy is reflected in America's balance-of-payments deficit, \$100 billion in 1984, and likely to be one-third or more higher in 1985.

The American, and world economy, the BIS concludes, "cannot be based on an unsustainable pattern of external payments and exchange rates." The report intones: "A balance of payments deficit as high as the one the U.S. now registers, cannot last long. It implies, that the position of the U.S. as an international investor will rapidly worsen; and in fact, the richest economy in the world has, in the meantime, become a net debtor. Even if no-one can say, in terms of size and timing, where the limit of such a development lies, there can be nonetheless no doubt, that such limits exist. With respect to the high level of integration of global capital markets, and the speed with which the market for capital-titles usually adjusts to changing expectations, there is a danger, that the advantages of a further accumulation of dollar investments, could suddenly be viewed differently by market participants. If one visualizes, how important capital flows from abroad have been for the American economy, it becomes clear, that the interest level in the United States would be influenced by such a development, should it pass certain limits . . . What would happen, if this adjustment led to a new recession in the United States?"

Unless the United States cuts its budget, i.e., disarms, or destroys a significant section of its population under the poverty line, or both, the BIS concludes, the "integrated global financial markets" controlled by Dope, Inc. will pull the plug on the American economy.

BIS stalls bridge loan to Argentina

by David Goldman

Switzerland's National Bank, joined by the West German Bundesbank, broke up the central banking "safety net" that has held the world banking system together since the spring of 1982, with a June 12 decision to refuse bridging credits to Argentina. Argentina, six months behind in \$1.3 billion of interest payments owed mainly to U.S. banks, had just concluded an agreement with the International Monetary Fund for new loans, which, however, cannot be paid out for six weeks.

Since the Argentine interest payments are now more than six months overdue, American bank regulators are now required, by law, to force their American bank creditors to begin writing off the capital value of their Argentine loans—

a step which, if implemented, would have incalculable impact upon the crisis-wracked American banking system. Since the Swiss and West German central banks know perfectly well what the stakes are, the message they have delivered to Washington is unmistakable. It is the same as the one printed in the first pages of the Bank for International Settlements' annual report, released June 10: Unless the United States drastically reduces government expenditures, there will be a crash landing for the American banking system, the American dollar, and the American economy.

Tightening the screws

Argentina's chief negotiator, Mario Brodersohn, announced June 11 that a deal had been struck with the IMF, but could not be signed for another six weeks. But Argentina's application to the central banks' club, the Bank for International Settlements (BIS), was rejected by Switzerland and West Germany, on the grounds, as the Swiss bankers' daily *Neue Zürcher Zeitung* wrote June 13, that Argentina's "Alfonsoín government has exhausted the patience of its creditors, and it would serve no one to sanction this stance with new credit injections."

Besides, as the Swiss paper added, the conditions the IMF has put on the new credit are much rougher than anything the IMF has previously demanded of Argentina. They center on reducing the country's 1400% annual inflation rate by half, largely through wage-gouging. The IMF cut off credits to Argentina last March, when the country refused to hand over the pound of flesh previously demanded by the IMF.

The Argentine trade unions are expected to resist these conditions, the Swiss predict, and leading Argentine politicians protest that "the standby provisions of the IMF, as well as new money from the banks, will go, in any event, only for debt-service, not for economic revival; they conclude that Argentina will not, thereby, restructure its debt, but only pile up more debts, in order to pay off old ones."

The IMF's conditions include a 30% devaluation of the Argentine peso over the next year, a 12% cut in government spending, and (in effect) a 10% per month cut in real wages. Under the circumstances, it is not even clear whether the IMF will pay out anything after the six weeks are up. The *Washington Post* warned June 8, "It will be months before the IMF actually lends Argentina any money, because the international agency wants to be sure the nation actually implements some of the tough measures it agreed to take."

Since it remains uncertain whether Argentina will actually swallow the economic suicide-pill, as the IMF demands, the Bank for International Settlements will not provide a short-term bailout. The Swiss have thus offered a Hobson's choice to Washington: Either use its political muscle to crush a friendly nation's resistance to an economic program which would destroy it, or face an aggravation of a banking crisis that is already out of control.