Eye on Washington by Nicholas F. Benton

White House admits system bankrupt

With remarkable candor, James Warner of the White House's Office of Policy Development confessed to an audience of 150 at a "Debt Reform" workshop at the International Development Conference here March 19, that the U.S. monetary system is bankrupt. Warner said that the only issue facing the government is finding a way to "write down the debt in an orderly way, rather than a disastrous way, so that people don't think the banks are collapsing."

He said most of the Third World debt owed to U.S. banks, as well as to the U.S. government and multilateral lending institutions like the International Monetary Fund (IMF) is "a paper fiction, already."

Warner advocated the creation of an "intermediary institution" which would be willing to buy up all this non-performing debt from the banks at a discount in exchange for a "paper share" with a roughly equivalent face value. "The paper the bank would receive in exchange for selling off its debt couldn't be worth less than the non-performing loans, but it will give the bank the ability to show its shareholders and depositors that it has this asset."

The "intermediary institution" would then be able to try to collect the debt from the Third World country—but would not be faced with the same pressures the banks are to produce immediate payment. "Nonetheless," Warner said, "They would have to proceed with the burning zeal of a revolutionary to insist on sound and realistic developments in the debtor countries, pushing for privatization of the economy, and for taking assets as payment for the debts."

What was amazing was how openly Warner presented this proposal as a way of creating the public *illusion* that the monetary system is not bankrupt, when in fact it is. He did not even figure the $10-12 trillion domestic debt into his equation.

Warner's proposal has already taken shape in legislation introduced by Rep. John LaFalce (D-N.Y.) to create a "multinational debt adjustment facility." This most cynical attempt yet to paper over the U.S. economic collapse is no joke in terms of its commitment to bleed the developing sector further. The "intermediary institution" would have more clout than any single bank to pressure Third World nations—especially, to force them to "open up" to outside looting, and to swap their debt for equity.

Warner said that the United States should not give a dime to sub-Saharan Africa for agricultural development: "Agriculture is a disaster for Africa. I'd rather see them producing Toshibas than growing crops. There should be no fertilization of the soil—it only creates an artificial economy that throws everything out of balance."

This radical "free market" approach is indifferent to the fact that the Sahel, directly south of the Sahara, could be one of the world's richest agricultural regions, if flood control and irrigation were provided by a system of dams and canals.

There is little difference between Warner's hard line on this issue, and that of the "small is beautiful" proponents who were crawling all over the conference demanding aid for local well-digging and land reform instead of large-scale energy and infrastructure development in the Third World.

The contrasting view was demonstrated by supporters of Democratic presidential candidate Lyndon LaRouche outside the hall with signs reading, "Africa Needs Nuclear Power."

The Brazil bogeyman

Sally Shelton Colby, the wife of former CIA director William Colby, joined Warner in the "Debt Reform" workshop. A member of the secret government network organized under the National Endowment for Democracy (the "Project Democracy" that Lt. Col. Oliver North utilized), Shelton Colby warned that time is running out to find a solution to the Third World debt crisis, and that some U.S. commercial banks, like Citibank, will have to give in somewhat to avoid a blowout.

While trying to downplay the recent debt moratorium declared by President José Sarney of Brazil, she added in an agitated tone that "the creditor community cannot run the risk of allowing Brazil to go beyond 90 days without paying, and getting away with it." She said that a short-term bridge loan can extend the deadline another 90 or 180 days, but that "the U.S. banks are going to have to be willing to take some kind of a hit" in order to see the Brazil crisis resolved.

She said she favored the proposal of her husband's crony, former White House national security aide Norman Bailey, to "lock in" the relatively low interest rates of Third World loans that now exist.

She added, smugly, "All President Sarney needs is something he can turn to his population and call a political victory. . . . We have to finesse the problem."