

Federal Reserve Bank of New York when it paid off Franklin's *uninsured* deposits. The insured deposits were transferred to European-American Bank and Trust Co. It may be that, after the 14 years required to liquidate Franklin's portfolio and reclaim the funds that must be repaid to the Federal Reserve Bank in two years, the FDIC insurance fund will have suffered no loss. But that is not the point. The point is that it assumed the responsibility and the risk to guarantee deposits which were not insured. Further, this appears to be the only acceptable method of handling large failures in the future since the alternative suggested by banking regulators is to permit their acquisition by other large banking institutions in other states or from other countries, which has the effect of increasing banking concentration.

Regulators have discovered that overseas activities of many U.S. banks were not well managed and are now encouraging the development of uniform internal controls and audits. A better degree of managerial involvement is necessary in a number of areas, especially with regard to control over foreign subsidiaries and affiliates. But it is also possible that the failure of U.S. regulators to assume responsibility for providing an adequate and unambiguous regulatory framework for overseas activities has con-

tributed to some of the managerial problems that have developed. The suggestion has been made that the same regulatory standards which apply to domestic activities should apply to those overseas. Since this suggestion was made by a knowledgeable and experienced international banker, it cannot be viewed as overrestrictive.

The same banker also supported the suggestion that the range of activities of U.S. banks overseas be limited to those permitted in the United States. It is hoped that the material in Chapter 3 and Appendix A have indicated just how much at variance with domestic restrictions these activities are and that the risks involved, and the actual and potential conflicts of interest are real.

In addition to its concerns for bank soundness and the quality of regulation and supervision, this study has also attempted to call attention to the fact that efforts to increase competition in international banking principally through the licensing of small branches and of joint ventures, have not been worth the candle. No specific suggestions or remedies to improve the situation have been offered. But, again, it is hoped that the effort to demonstrate the extent of banking concentration in these markets and to explore some of the implications of the degree of concentration have been successful in indicating the seriousness of the problem.

## Congressional Report Exposes Eurodollar-Cayman Islands Hyperinflationary Swindle

June 26 (NSIPS) — In a recently-released 447-page report on international banking, the House of Representatives's Committee on Banking has exposed the illegal Wall Street-dominated Eurodollar "offshore" swindle in the Caribbean. The Eurodollar swindle is directly responsible for worldwide hyperinflation, destruction of international production, trade and living standards, politically-motivated currency and other forms of speculation and fraudulent bookkeeping, the report charges. The committee document urges prompt action to regulate this Frankenstein monster starting with increased disclosure requirements for the U.S. banks involved.

The report is authored in large part by Committee staffer Jane D'Arista — one of the most knowledgeable staffers on international banking on Capitol Hill — and in every aspect confirms the charges of the U.S. Labor Party made earlier this year. The Banking Committee report now opens the way for a fullscale Congressional investigation into the illegal operation and collapse of the bankrupt Eurodollar market.

The failings of the House report arise mainly from the lack of Committee support to investigate the areas pinpointed by the Labor Party's Special Report entitled "The Bermuda Triangle Banking Conspiracy." These are areas relating to the involvement of the CIA, Mafia, etc., via the Caribbean "shell" branches of international banks, the maintenance by unregulated Eurodollar banks of one set of books for reporting purposes and a different set for actual "transactions," and the mechanism for generating hyperinflationary credit in the Eurodollar market with no deposit backing. This matter must be taken up by the relevant

Congressional committees with subpoena powers requiring the banks involved to disclose their "real" books for Congressional examination and action.

Its shortcomings notwithstanding, the report documents enough damning evidence of a conspiracy between the New York banks and the Federal Reserve Board chairman Dr. Arthur F. Burns to warrant an immediate Congressional investigation.

### Who Benefits?

The Staff Report leaves no doubt as to whom the major beneficiary of Mr. Burns' tailor-made monetary and banking regulatory policies really is. Burns' policies have consistently — and in sharp contrast to his designated function of managing national credit with the view of expanding the U.S. economy and pursuing full-employment goals — favored the cancerous growth of the Eurodollar market above all else. This market, as the report points out, is dominated by the 12 largest U.S. multinational banks, seven of which are New York-based and connected with the Rockefeller-Morgan family interests. "It does seem remarkable that a narrow sector of the private banking system has been permitted or encouraged to assume quasi-governmental functions and that so much control over a financial market which is so important to so many nations has been concentrated in so few hands," the report concludes.

The report notes the convergence of State Department, Treasury and Federal Reserve Board policies with the need of U.S. Eurodollar banks to continue mushrooming rollovers of uncollectable debts charged to the accounts of bankrupt countries. The report declares: "U.S. government policy

might be disproportionately shaped by the need to protect the U.S. banking system from a major default by a given country."

Yet, even with such revealing material in his hands prepared by his own committee staff, House Banking Committee chairman Henry Reuss (D-Wis) has not only done everything in his power to squelch efforts at such an investigation, but has wittingly worked to further the genocidal policies of the enclave of Lower Manhattan banks. Both Reuss and Sen. William Proxmire (D-Wis) — Reuss' counterpart in the Senate — are actively pushing the fascist Fine banking reorganization bill that would tighten control of all domestic and international credit by Wall Street's bankrupt bankers.

#### **Eurodollar Swindle: Instrument for World Inflation**

Put the Staff Report's documentation of New York banks' collusion with the Federal Reserve in precipitating most of the major financial and economic events of significance together with the Labor Party's Special Report on the "Bermuda Triangle Banking Conspiracy," and anyone can see the Eurodollar pool — larger than any other domestic financial market — for exactly what it is. This illegal "hot money" pool — estimated by some financial circles to be as big as \$1 trillion, or more than three times the narrowly-defined U.S. money supply — has been the major instrument of worldwide inflation since at least 1969.

Properly defined, inflation is directly and indirectly the result of an increasing proportion of new credit being channeled into debt service instead of useful production. This tendency results in a general rise in interest rates, which further exacerbates this process and leads to still-greater proportion of new credit being diverted out of socially necessary production and into debt service and speculation.

Once that link between credit, inflation and productive activity is established, the House Staff Report's documentation of financial and economic processes for the 1969-75 period clearly shows that the Federal Reserve's "legalization" of the Eurodollar market has wilfully aided and abetted this process.

The Federal Reserve's monetary policies have been designed to provide maximum profitability for the U.S. multinational banks within the overall long-term constraints of protecting the bankrupt U.S. dollar from total collapse. In order to make it unattractive for overseas depositors of dollars in the Eurodollar pool to massively dump the U.S. currency, dollar sector interest rates have been maintained at much higher levels than so-called supply and demand forces would warrant. At crisis points such as June 1974, U.S. domestic interest rates have reached exorbitant levels of up to 14 per cent for prime corporate borrowers. The gutting of U.S. productive activity and inflationary price increases in the U.S. economy are the results. Times of relative monetary ease have been necessitated primarily to meet the long-term objective of protecting the U.S. currency. Domestic economic objectives, if any, have figures only secondarily, if at all.

Former Federal Reserve Board Governor Robert C. Holland has recently resigned from the Fed apparently due to disagreements with chairman Arthur Burns on the issue of extending U.S. banking controls to the Eurodollar branches of U.S. banks, which the former favors. In a speech delivered April 8, 1975, Holland pointed out that even in such times of monetary ease as those culminating in the March 1971 and February 1972 interest rate low points in the U.S., the stepped up outflows of credit to the Eurodollar pool further feed inflationary processes. These cyclical measures which in the first place are necessitated by low points in investor confidence in the U.S. currency and hence are crisis measures designed to reduce the dollar "overhang" by attracting debtors to absorb excess dollars through low-interest medium-term loans, force the Fed to print more money than is required to meet any secondary domestic objectives in order to make up for the stepped up outflows into the Eurodollar pool. Additionally, such monetary ease further skews the ratio of speculative to productive loans in the world economy once again contributing to inflationary pressures.

High interest rates have otherwise fulfilled some very interesting objectives of Federal Reserve policy. They have only resulted in the gradual shifting away of funds from the long-term capital markets (long-term corporate bonds, etc.) that supply funds for net new investments in production, agriculture, housing, and mining and extraction sectors into the short-term "hot money" pool. High interest rates have also made it more attractive for regional banks, savings banks, and both financial and non-financial corporations to channel their funds via the so-called Fed Funds market directly into the coffers of large New York money banks. While the Fed has looked the other way, these funds siphoned from the U.S. economy, have flown out to the London Eurodollar branches of these same banks where they have multiplied "n" times via the interbank market and been more "profitably" invested in debt refinancing, currency and commodity speculation, real estate speculation, etc. A similar siphoning off of funds by the large U.S. Eurodollar banks from the small U.S. and foreign banks in the "off-shore" markets via interbank borrowings, has given the handful of Rockefeller-connected banks virtual finger-tip control over the allocation of international credit. This concentration has exacerbated inflation and caused the devastation in the U.S. and international economy. The first step to reversing this process is the investigation and dismantling of New York's Bermuda Triangle Conspiracy.

It is precisely this process that has contributed to the "stagflation" phenomenon. While the productive sectors of the U.S. and world economy have stagnated (and declined) due to the non-availability of long-term credit, the combination of exorbitantly-priced short-term credit and the spiralling price increases for commodities, etc., due to Eurodollar speculative activity, have pushed the general level of prices upwards.