

How Chase staves off bankruptcy

Its Asia cash flows are the key: Richard Freeman translates them into David Rockefeller's dirty-money arrangements.

David Rockefeller and other leading Wall Street bankers have a reason for pressing high interest rates that goes beyond the ordinary profit motive. At the expense of much of the world economy, they have imposed the high rates through Federal Reserve Chairman Paul Volcker—former head of Chase's Strategy Planning Group—in order to *bail out their own insolvent institutions*.

Rockefeller has rigged a flood of flight capital and illicit drug money into the United States. Chase turns this flight capital over to Third World nations to roll over their debts, which are nonperforming. If Chase did not have access to this flight capital, the entire daisy chain of its international lending and of all Wall Street's—with over \$100 billion, mostly nonperforming, lent to the Third World—would be bankrupt.

In every technical sense of the term, Chase Manhattan is already bankrupt. Strictly speaking, bankruptcy occurs when an institution's called-in bad paper is larger than its paid-in capital, which consists of its stock equity and retained earnings. Chase has little more than \$2 billion in paid-in capital. Against this, it has more than \$15 billion in Third World loans, most of them in the nonperforming class.

To the extent that Volcker's high interest rates have sucked capital out of Europe and into Wall Street, the evidence of Chase Manhattan's bankruptcy remains under the surface. But if interest rates were to come down sharply, and the Third World debt rollover game were to be suspended, Chase Manhattan would be confronted with nonperforming paper 7.5 times the value of its paid-in capital. In other words, bankruptcy.

In the meantime, the United States and Europe must suffer industrial collapse and the Third World suffer genocide under high interest rates, just to keep David Rockefeller, Citibank's Walter Wriston, and others in business.

If one were to believe Chase Manhattan's 1980 annual report, last year was the best year the bank ever experienced. Net income—the way profits are stated at a bank—was \$354 million, the amount of new loans was up, and new stock in the bank was issued. But these profits are *paper profits*, purely illusory bookkeeping entries. Those who know the trade, Wall Street's insiders and analysts of bank stocks, know best how to read Chase's and Wall Street's books.

“Our firm has not bought Chase Manhattan stock for the last seven years,” an insider at a major New York investment bank reported. “We stayed out, because they, like other big New York banks, are stuck with a load of bad Third World debt. Look at Brazil, Argentina, Poland. Chase's loans to these countries are not saleable. No one would buy them off Chase, because these loans don't earn profits. The *profits are illusory*. Nothing real is earned. They just keep rolling over the Third World paper. But how long will that game last?”

A bank analyst for Keefe, Bruyette, the leading bank stock analysis firm in the United States, said, “All the spreads for Third World lending are ridiculous. A bank earns only one-half of 1 percent over LIBOR [London Interbank Offered Rate]. No one makes money from Third World loans, but all the banks keep right on lending. They simply roll over the debt quarterly or annually.”

This analyst continued to explain that only in the rarest cases, such as with Zaire, do the banks ever agree to announce that a country is not able to pay its debt. “In Zaire,” he said, “they saw that the country couldn't pay, because there was nothing Zaire could pay with. But in

Figure 1

Chase's return on international loans

Year	International income/ international loans
1980	.0058
1979	.0051
1978	.0054
1977	.0052
1976	.0066
1975	.0090
1974	.0095
1973	.0110
1972	.0137
1971	.0134
1970	.0129

Source: Chase Annual Reports, 1970-1980

most cases the banks may lower the interest rates a little, and once in a while reschedule the debt, but mostly they find a way to roll this debt over.”

The Rockefeller record

From the time Rockefeller took over Chase, he drove it straight toward bankruptcy. By 1976, Chase's net income, or profit, was \$116 million, lower than it was six years earlier in 1970, Rockefeller's first full year as chairman.

Rockefeller misjudged the U.S. real-estate market and dropped a bundle there, as well as losing money heavily in misinvestments in Puerto Rico and the U.S. bond market.

In 1970, only 16.3 percent of all Chase's loans were to overseas customers. By 1980, 58 percent of Chase's \$42 billion in loans went overseas. While Rockefeller drove forward with his harebrained plan, he missed the dangerous pattern that was emerging: whereas in 1971 Chase made 1.3 cents in net income for every dollar it lent for foreign loans, by the late 1970s this was down to 0.5 cents in net income for every dollar Chase lent abroad.

This explains the illusory profits Chase registered over the last few years. If such quirks as lowered tax rates, or such entities as “grossed-up income” which were added to Chase's net income in 1979 and 1980, are deducted, Chase's earnings internationally over the last few years have risen only slightly. It is rather the U.S. side of the ledger—where Chase looted the U.S. economy by charging effective interest-rate spreads of 4.36

percent, 4.82 percent, and 4.98 percent in 1978, 1979, and 1980 respectively in the heady atmosphere of the Volcker interest-rate regime—that accounts for the last years' growth in Chase's net income.

Remove Volcker's high interest rates, and Chase's U.S. profits evaporate, while its international debt rollover daisy chain breaks wide open.

Drug money?

There is another feature about Chase's international lending that gives the game away. Asia has gone from less than one-quarter of Chase's net international income in the early 1970s to a third during the last few years. Chase has built up its presence in Singapore, Hong Kong, Malaysia—all known drug-conduit centers.

Chase's board of directors and its international advisory board present a roster of men fully complicit in Great Britain's drug cartel, Dope, Inc. The chairman of Chase's international advisory board since 1977 is Henry A. Kissinger. Kissinger's underling, Alexander Haig, was on Chase's board of directors until he resigned to take over the State Department.

Also on Chase's international advisory board are Gianni Agnelli of Italy, the chairman of Fiat, who has been implicated in Italy's P-2 lodge scandal; Y. K. Pao, who is on the board of the world's leading drug bank, Hongkong and Shanghai Bank, and is chairman of the largest shipping fleet in Hong Kong; and Ian Sinclair, the head of Canadian Pacific, which has been named as a conduit of drugs from the Far East.

Figure 2

The importance of Asia to Chase's income

(millions of dollars)

	Overseas	Net income			Percentage of international income	
		Asia	Europe	Asia	Europe	
1980	\$179/141*	\$57	\$35	32%	20%	
1979	146/106*	34	32	23%	22%	
1978	105	33	35	31%	33%	
1977	80	31	27	39%	34%	
1976	82	32	36	39%	44%	
1975	101	32	47	32%	47%	
1974	90	22	36	25%	40%	
1973	67	16	26	24%	39%	
1972	51	12	17	24%	33%	
1971	41	—	—	—	—	
1970	27	—	—	—	—	

*1980's income is inflated by a \$21 million addition in the category of “grossed-up income,” plus a one-time \$17 million reduction in international taxes. 1979's income is inflated by a \$40 million addition in the category of “grossed-up” income.

Source: Chase Annual Reports, 1970-1980

The little-known advisers behind Chase Manhattan's strategy

In misdirecting the fortunes of Chase Manhattan Bank, David Rockefeller has relied heavily on the advice of "experts" paying very large sums of money over the past 20 years to a wide range of such "experts" drawn from the ranks of the British and European nobility and their intelligence community. These individuals shaped the evolution of Chase Manhattan to the present.

Chase Bank, in which the Rockefeller family had large private interests, got its first infusion of outside experts when it merged with the Bank of Manhattan in the early 1950s. The Bank of Manhattan was the preserve of the Warburg family, the same family that helped establish the U.S. Federal Reserve Bank as a tool of London to enforce Wall Street control over U.S. finances and credit. Residing at the Bank of Manhattan were a nest of former officers of the Office of Naval Intelligence (ONI), who assumed an important role at the newly merged Chase Manhattan Bank. One former ONI officer—alleged by many to be still working for Naval Intelligence while at the bank—is Jacob Jacobson, who became the head of the merged Chase Manhattan's Asia division. Another member of ONI, Al Wentworth, became Jacobson's assistant. Together with a third ONI officer, Hugh Stockley, they prepared a memo in the mid-1960s that stated, "There is much money to be made in the areas of Hong Kong and the Caribbean, although the money is of dubious legality."

This memo preceded the establishment of the Eurodollar market, of course, but did indicate an evaluation, which the intelligence capabilities of ONI could certainly certify. At the same time, Stockley began preparing the bank to set up an electronic funds system, with fast and almost untraceable money-transfer capabilities, that was finally and fully established a decade later.

According to a former Chase Manhattan Bank officer, the bank also hired Otto von Hapsburg in the period 1964 to 1968 to be a key international adviser. Hapsburg, the pretender to the throne of the Austro-Hungarian Empire, heads the World Federalist Asso-

ciation, which supports the overthrow of nation-states in favor of a world government. The former Chase officer said that "Von Hapsburg was paid by Rockefeller to travel about the globe meeting his high-level sources and write monthly reports on whatever he had learned.

"This was then utilized in Chase's operations. Von Hapsburg would write about whatever country he thought would have a coup, or where the finances were unsound, or where money might be moving around. Many of us thought that von Hapsburg's reports were unbelievable. But David Rockefeller took them quite seriously and circulated them to all the key departments of the bank."

In 1978, Rockefeller hired Herb Guerdjoy, from the Futures Group of Glastonbury, Conn. to help develop the bank's country risk department. As Guerdjoy told a reporter this week, "We helped employ the Futures Group's Political Stability Perspectives (PSP) program." This program was also incorporated into the U.S. State Department's Global 2000 program, which calls for the halving of the world's population by the year 2000 through famine and war. The PSP program, in particular, makes country risk evaluations with regard to population, resources, political stability, and revolutionary potential. These evaluations are quantified and fitted into a set of equations, which are then programmed into economic models for the country. Such outright quackish predictions will nonetheless be implemented through Chase Manhattan's very lending policy. These predictions, said Guerdjoy, were used to set Chase's next 10-year investment strategy.

Although he had no previous experience in banking, Guerdjoy was hired because, as he put it "in terms of the risk of political upheavals, banks are not in a position to make that assessment. I was." Guerdjoy claimed that he was otherwise fit to handle Chase's research work because he had done a previous study for an unnamed client on how the Hong Kong banking model could be extended into Panama and other countries.