

impose austerity conditionalities on the debtor nations, as does the International Monetary Fund.

The Group of 30 therefore demands that its proposed council of commercial banks, central banks, and the Bank for International Settlements, assume the following prerogatives:

- Setting "sovereign risk": The international council would determine which countries have debt loads that will not be refinanced. The council's standards will be much tougher, the report makes clear.

- Rescheduling: Commercial banks would be forced, according to a plan devised by Swiss henchman Henry Wallich, to set aside loan loss reserves; and write off certain Third World loans.

- "Co-financing" with the International Monetary Fund: The IMF would become the enforcer on loans. The G-30 also specifies a plan whereby debtor governments would be required to kick in a certain amount of tax money as insurance for the private banks on their loans.

- Dictating lending terms, including interest rate levels, maturity terms, and roll-over agreements.

But even these powers are not enough, as a member of the British nobility, whose ancestor was the financier behind the Stuart restoration in 1603, indicated in discussing his demand that debtor nations put up physical collateral on 80 percent of their loans.

"The old families of Europe are meeting and deciding where to put their money when the financial crash occurs," this merchant banker explained. "In fact, I just had dinner the other night where we discussed this subject. Many are putting their money into either cash, property, or the favorite government stock of their choice.

"We know that the Third World, particularly Latin America, is making approaches to central banks and commercial banks to get confirmed credit lines. The banks want a safety net for their lending, and the Swiss are planning to ask that 80 percent of the loans they make be secured."

What this arrangement means, particularly with the investment trusts of the oligarchy (the *fondi*) buying up their "favorite government stock," is that once the debtor governments are thrown into default, the wealth of a nation, its national patrimony, will be turned over to the *fondi*.

This is the system that permitted the British to take over and loot Egypt in the 19th century. Increasing percentages of the Egyptian cotton crop and government assets were mortgaged to Baring's Bank and other British banks, and when after a succession of usurious "refinancings" the Egyptians were no longer able to pay, the British military was sent in to enforce "orderly" debt collection arrangements and to assume political power in Egypt.

Congress to force a debt default crisis?

by Richard Freeman

The offices of Sens. Daniel Moynihan (D-N.Y.) and Robert Kasten (R-Wisc.) reported May 11 that the Senators will introduce an amendment this month declaring in default the nearly \$1 billion debt of Poland to the U.S. government and its guarantee agencies. Jerry Lewis (R-Calif.) reported May 12 that he will introduce a similarly worded amendment into the House at the first opportunity. The purposes of the amendment, according to its sponsors, is to "curb the money available for the Soviet military build-up," and to demonstrate that "détente now is over." In fact, the amendment, as its sponsors are well aware, may be the trigger for a generalized 1931-style banking collapse.

Poland has \$25 billion in total outstanding foreign debt. Written into its loan agreements is what is called a "cross-default clause," which says that if any one creditor of Poland declares the country in default, all other creditors must do likewise. The government and banking system of West Germany alone have \$6 billion in loans to Poland. Although the total U.S. public and private bank lending to Poland is not thought to exceed \$3 billion, as one group of commercial bankers told Senator Kasten's office April 19, "if Poland is declared in default, there could soon be other East bloc defaults."

"Moreover," the bankers continued, "a European country damaged by the Polish default could then declare a Latin American nation's debt to be in default if a Latin American country didn't meet its payment schedule. U.S. banks hold over \$109 billion in loans to Latin America. The United States couldn't protest, because our having declared Poland in default would have hurt the Europeans," the bankers said. That is, in a Polish-triggered debt-default, the U.S. banking system would be the biggest loser.

Yet both Kasten's and Moynihan's offices have dismissed that reality. Representative Lewis of California, the House sponsor of the amendment, told a reporter May 12, "a banking collapse is a possibility," but the risks justify taking that chance. The crew of Senators and Congressmen who are sponsors or leading supporters of

the Kasten-Moynihan amendment as well as the Lewis amendment are not just "anti-communist" dupes. In fact, most of them followed very respectfully the recommendations that were outlined for them by the May 1 London *Economist*, the financial organ of the British oligarchy, which in an article entitled, "Don't Feed the Crow," stated, "Poland's martial-law regime . . . hasn't started to rebuild a country worth lending more money to." Most are acting on a conscious policy of bringing down the U.S. economy.

The U.S. traitors include:

- **Sen. Daniel P. Moynihan**, the house-toady of Averell Harriman, the grand-daddy of Tory liberalism whose marriage to the mother of Winston Churchill III symbolizes his allegiance to the British. Moynihan was special assistant to Harriman during Harriman's years as New York Governor. Moynihan works with the U.S. support group for the Polish Solidarity union, deployed to destabilize Poland and cause a debt crisis. He also headed up the group that pushed for passage of the Biden Resolution April 29 in the U.S. Senate, which commits the United States to support of the British colonial invasion of the Malvinas Islands.

- **Senator William Proxmire (D-Wis.)**, the liberal head of the Senate Banking Committee, who opposed the bail-out of the financially troubled Chrysler Corporation.

- **Senator Bill Bradley (D-N.J.)**, an outspoken defender of Federal Reserve Chairman Paul Volcker's murderous high interest rates. Bradley, the son of a prominent banker, was a Rhodes scholar.

- **Senator Ted Kennedy (D-Mass.)**, a leading U.S. exponent of de-industrialization.

- **Senator William Armstrong (R-Col.)**, a blow-dried Republican known for his budget-cutting tirades, run by the Heritage Foundation—a KGB-British Fabian Socialist think tank.

- **Representative Jerry Lewis (R-Calif.)**, is a second-term Congressman with very close ties to the Heritage Foundation.

The line-up

A Kasten aide disclosed May 7 that Kasten is working with Defense Secretary Caspar Weinberger, Defense Undersecretary Fred Iklé, who is the scion of a Swiss banking family, and National Security Council Director of Research Norman Bailey in attempting to force through the amendment.

Kasten and Moynihan had introduced this amendment into the Senate once before on Feb. 10. It lost by a vote of 55 to 39. But both claim now that the many Republican Senators who voted against it (only 18 out of 52 Senate Republicans voted for it on Feb. 10) did so only to give the White House more time to work out an East-West policy, and because the amendment was

attached to a bill they did not want bogged down in debate. Many of these Senators, the bill's sponsors claim, have indicated that they will vote for the amendment when it comes up for vote this time.

The amendment will put pressure on President Reagan and the President's relationship with America's key ally, West German Chancellor Helmut Schmidt, in the event that it is able to pass both houses. If passed, the amendment will feed the atmosphere in which Chancellor Schmidt could be toppled. An aide to Senator Moynihan stated May 11, "the détente period is over. Schmidt is fighting a rearguard action to try to keep it alive. Politicians like to live in their illusions."

Some hope to use the amendment vote to discredit the President. As an aide to Senator Kasten reported May 7, "If the amendment passed both houses of Congress and Reagan were to veto it, that would mean that a Reagan-controlled Senate had rejected the policy of a Republican President; that would send shock waves around the world." Reagan is known to oppose the amendment.

More broadly, the purpose of the amendment is to accomplish the "controlled disintegration" policy goal of disrupting world trade by first wrecking East-West trade. It is the collapse of world trade, under the influence of the Volcker high interest rates, that caused the East bloc debt situation to become a problem in the first place. The collapse of the West's economy slashed the East's ability to export—and therefore their ability to earn the hard currency they need to pay back their debts.

Lazard Frères investment banker Felix Rohatyn proposed in the April 19 *Wall Street Journal* that Poland's debt be declared in default, after which the central banks of the Western governments would buy it up and impose political conditions, including arms reduction, on the East bloc nations. A Moynihan aide reported that "Moynihan agrees that either a central bank or the government should buy up the Polish debt held by commercial bankers even before the banks declare default. This would allow governments to put political control over East-West trade." Nathaniel Samuels, the vice-chairman of Lehman Brothers, Kuhn Loeb investment bank and the head of the American holding company subsidiary of the Assicurazione Generale di Venezia e Trieste, the most powerful insurance company in Europe, proposed April 7 that all East-West trade be put under the control of the Bank for International Settlements, as *EIR* previously reported.

To accomplish this not only Polish, but all new credit extensions to the East bloc, must be slashed. "Moynihan still wants to see the Siberian gas pipeline stopped and eventually all credit and technology flows to the entire East bloc cut way back," his aide stated May 11.