
Banking

Max Karl: cashing in on U.S. deregulation

by Renée Sigerson

The Baldwin-United financial services company of Cincinnati, Ohio, which announced cessation of payments on \$900 million in loans to banks last January, is about to go bankrupt, a leading Wall Street insurance analyst reported May 9.

However, Baldwin-United's chief subsidiary, the Mortgage Guaranty Insurance Corporation (MGIC) of Milwaukee, Wisconsin, will be bailed out.

The bailout, which will run into the hundreds of millions of dollars, will be financed by a private club of leading insurance companies, a group of not more than a handful of men who, our source emphasizes, "are the kind of people who, on any normal business day, are accustomed to just pick up the phone and transfer upwards of \$4-\$5 billion in a 24-hour period." This "club" of private insurers is so exclusive that only an institution with substantial political clout could have succeeded in winning their support, as MGIC has done.

MGIC—known as "Magic"—is the creation of Wisconsin's number one political party financier, Max Karl. In 1962, Karl gained brief nationwide notoriety when he was named for having made political payoffs to the Democratic Party chief's senatorial aide, Bobby Baker. Karl is currently an important source of funds for the Zionist lobby. In 1982, Karl told a Milwaukee journalist that he had donated \$7 million to Zionist charities in the form of MGIC shares. He travels frequently to Israel.

As in 1960, Karl's financial "trials" have again become linked to political party shakeups and influence buying for his friends in Israel, this time in preparation for the 1984 elections.

Tax evasion and watergating machinery

The Baldwin-United bankruptcy case is exemplary of the political effects of the "deregulation" of banking, which has been underway in the U.S. financial system since the passage of the 1980 Omnibus Banking Bill. The two congressmen who were chiefly responsible for passing that bill—which has eliminated most of the traditional distinctions between banks, investment companies, and insurance companies, transforming U.S. banking into a cash/assets soup—were Sen. William Proxmire and Rep. Henry Reuss, both of whom, "coincidentally," come from Karl's strongest base of opera-

tions, Wisconsin.

Karl's financial strength is in mortgages. MGIC is a swindle which provides insurance on mortgages not guaranteed by the Federal Housing Administration or the Veterans Administration. Its cash reserves are protected by a special political deal hammered out in 1960 between Karl and then Secretary of the Treasury Douglas Dillon.

Under state insurance law, for every dollar in premiums sold, MGIC must place 50 cents in reserve. By normal procedure, these funds would be taxable. Dillon allowed Karl to "lend" these reserve funds to the Treasury in the form of a 15-year, non-interest paying, tax-free bond. In 1962, Bobby Baker and Wisconsin Republican Congressman John Byrnes, both of whom had lobbied heavily for this deal between Karl and the Treasury, were watergated for having accepted MGIC shares in return for their help.

Last year, Karl was due to redeem \$220 million worth of such Treasury bonds. Upon redemption, the cash would have become taxable. Goldman-Sachs, Karl's investment bank, advised Karl to merge MGIC with a firm with large losses, to be able to dump the cash into a non-taxable sinkhole. Another Goldman-Sachs client, Baldwin-United, a multi-billion-dollar insurance firm dependent on tax writeoffs, fit the specifications called for, and in March 1982 the merger was finalized. Baldwin-United borrowed \$900 million to buy MGIC for a total of \$1.2 billion.

Some time later in 1982, it was discovered that Baldwin-United did not really have the funds required to repay the loans. The explanation around Wall Street of the rapid failure of the merger is that Morley Thompson, Baldwin's chairman, and an executive reputed to be America's foremost expert on tax evasion, had "shot his wad" by picking up MGIC only one year after a big time merger with the owner of S&H Green Stamps.

Plausible as that account may be, the events surrounding the Baldwin crisis indicate that Max Karl is up to his old tricks, using his financial clout to batter political opponents and to shape presidential election politics. Although the full details of the Baldwin failure are being deliberately covered up by Washington regulators and state insurance commissioners, evidence exists that Karl used the failure of Baldwin-United to pull the rug out from under an old opponent dating back to the 1980 presidential elections, namely the southern-based Democratic Party machine of Bert Lance.

The evidence comes in part from the fact that Baldwin-United's straits were only made public *after* federal banking authorities had shut down Lance's chief source of political funding, the Butcher banking family of Knoxville, Tennessee. According to an informed intelligence source familiar with southern politics, the word to shut down Butcher came from the Middle East and Switzerland, specifically from Lebanese-Genevan financier Edmund Safra, an intimate of Israeli-Arab gun- and drug-running operations.

In January, Safra merged his Genevan bank with Wall Street's second largest investment house, Shearson-Ameri-

can Express. The combined firm is a hotbed of lobbying on behalf of certain Zionist entities. It is interesting that in 1979, when the first rumors emerged that MGIC might be taken over, American Express was mooted as the firm most likely to purchase MGIC. Were Safra involved with Karl at this time, then the aim of the Butcher shutdown would be clear: Israeli controlled political operatives would be striving to strengthen their hand at the expense of the Kuwait-Libya-Saudi networks tied to Bert Lance.

The vexed relations between Karl's Israel lobby and the Lance Democratic Party networks dates back to 1980, when Karl broke with Jimmy Carter and put his support behind Ted Kennedy, because, according to Karl's own words, Carter was willing to throw Israel overboard, for "larger considerations." Carter, he claimed, had "no Israel policy, only an Arab oil policy."

Karl told an interviewer in 1980 that he never expected Kennedy to win, but that his support for Kennedy had broader implications. His own objective, he reported, was to strengthen bilateral politics—bringing in his assets from both parties—first to strengthen Israel's negotiating position, and second, "to come up with a plan to restructure the whole U.S. economy." At that time, Karl commented that one of the people he trusted most as an economic policymaker was his friend Felix Rohatyn, the Lazard Frères banker who has since become the leading international spokesman for a blueprint to cartelize the world banking system under Swiss banking control.

Known financial transactions between MGIC and the Butchers date to mid-1982, when a subsidiary of Baldwin-United began purchasing shares in Butcher's bank. The fact that Butcher's bank was in some kind of financial trouble then became public in November, following the Knoxville World's Fair, which the Butchers had heavily financed, and which had turned into a financial disaster. According to reports, part of the funds for holding the World's Fair in Knoxville had been put up by a prominent Arab bank.

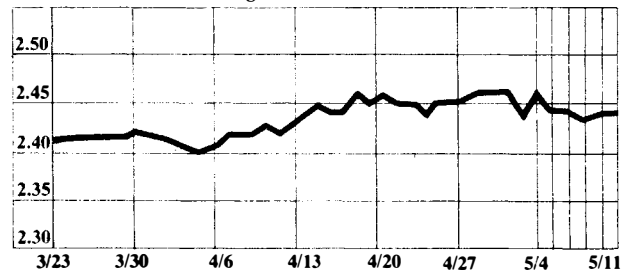
In late December, a mutual stock trading/debenture financing deal was worked out by Jake Butcher and Morley Thompson. In January, as the deal was being wrapped up, *Fortune* magazine put out the first word that Thompson was in trouble. Five weeks later, the Federal Deposit Insurance Corporation sent regulators in to shut Butcher's bank down in a 24-hour emergency operation which resulted in a sell-off. Within hours, press reports began circulating all over the country that the Butchers were the chief financiers of the Democratic Party throughout the South and were hideously corrupt.

Meanwhile, in Kentucky (where many officials have borrowed campaign funds from the Butchers), there is a state cabinet official sitting on a dossier of "sensitive information" pertaining to the Butcher case. The official, who has been relieved of all other responsibilities except to pursue this information, is an operative of the Zionist faction, with high-level political connections in New York.

Currency Rates

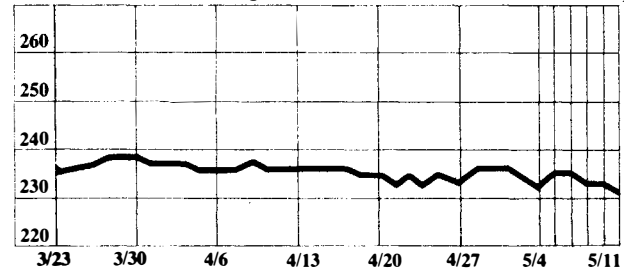
The dollar in deutschemarks

New York late afternoon fixing



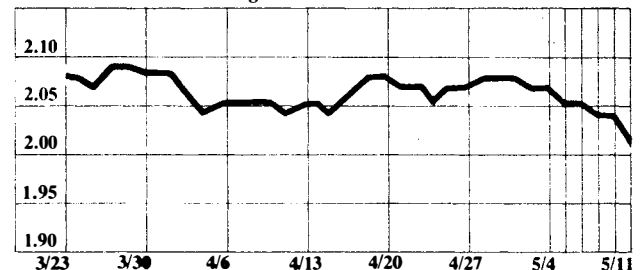
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

