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Banking by Kathy Wolfe

America is living off Dope, Inc.

U.S. consumers are hooked on the drug money being laundered through most U.S. banks.

Recently retired chairman Richard Hill and chairman William Brown of the First National Bank of Boston, are part of a conspiracy of U.S. bankers who have turned the entire banking system into an "offshore" money laundry.

Worse, they have hooked U.S. consumers into laundering the loot.

EIR first investigated Richard Hill and the First National Bank of Boston in 1980 because he led the Association of Reserve City Bankers, the private club of the chairmen of the nation's top 134 banks, to demand the establishment of "free banking zones," International Banking Facilities (IBFs). IBFs allow Euromarket-style accounts at U.S. banks onshore. They have no reserve requirements, no interest limits, and very little regulation.

The 1980 "International Banking Facilities Committee" set up by the Reserve City Bankers to promote IBFs, gives the list of the "eight most respectable men in America," the private bankers behind Dope, Inc.: James Higgins, chairman, Mellon Bank, chairman, IBF Committee; Richard Hill, chairman, First National Bank of Boston; Frederick Heldring, chairman, Philadelphia National Bank; Willard Butcher, chairman, Chase Manhattan Bank; Walter Wriston, chairman, Citibank; Leeland Prussia, vice-chairman, Bank of America; Richard Thomas, president, First National Bank of Chicago; John R. Cummings, chairman, Industrial National Bank of Rhode Island.

In 1981, Federal Reserve chairman Paul Volcker legalized IBFs by regulatory fiat. Since 1980, several of the above have retired or passed away, but their banks have implemented the policy. Since IBFs were legalized, they have taken in over $170 billion in foreign hot-money deposits, drawing at least that amount onshore. IBFs allow foreign drug money to be deposited into the United States proper, much safer than some offshore island. Once the money is in, it can be laundered and loaned back to the foreign drug-money source as a legitimate bank loan, which the drug dealer then uses to buy up U.S. corporate stocks, Treasury debt, etc.

But the eight blueblooded Reserve City bankers had a much broader drug-money plan. By removing reserve requirements for U.S. banking generally, they turned the entire U.S. banking system into one large IBF. In 1982 and 1983, the Fed also authorized creation of Money Market Accounts and Super-Now Accounts, Eurodollar-style deposits with no reserves. These have grown to over $400 billion.

It is this massive inflow of hot money which has kept the U.S. banking system afloat for five years.

Worse, the money flood has allowed the Dope, Inc. bankers to destroy the wages and living standards of U.S. consumers, without social upheaval, and to bankers' additional profit. The dope money has been loaned to U.S. consumers since 1980 at such a rate that the profit on it now dwarfs the profit on all Third World lending.

The same men of the IBF Committee are the architects of Paul Volcker's 1978-79 rise in interest rates, from the 6% to the 20% level. The wage bill for employees in U.S. manfacturing, construction, and other production in real 1977 dollars (after inflation) rose a bit from $254 billion in 1972 to $261 billion in 1980, and fell back again to $237 billion in 1982 and $254 billion in 1984. Even these figures are grossly exaggerated. Fewer and fewer "employees" are actually producing. In addition, the wage figures include pensions and health benefits which are included in government figures on wages but deducted from actual take-home pay.

An actual 1984 real-wage bill might be less than $200 billion.

How has this been done without revolution in America? The answer is dope money. Through deregulation, the hot dope money flowing into the United States has been loaned out to consumers as fabulously expensive "consumer credit." The debt ends up on the consumer's back. U.S. households' debt has mushroomed from $1 trillion in 1977 to over $2 trillion in 1984. This massive debt expansion, $120 billion per year, was needed by the consumer just to stay alive and supplant wages. It was led by mortgages, which grew from $635 billion to $1.3 trillion, and consumer credit such as credit cards, which grew from $230 billion to $470 billion, primarily due to skyrocketing interest rates.

This dwarfs the total of all U.S. banks' foreign loans in 1984, $282 billion, and the total lending to Ibero-America by all banks, U.S. and foreign, at $380 billion.

The banks have profited handsomely from the entire binge. First, they have laundered their drug money to the U.S. consumer. Second, the interest bill alone paid by consumers predominantly to the banks in 1984 on this amount was some $300 billion—larger than the wage bill for 1984 itself.

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