House Speaker Foley fronts for Wall Street S&L asset grab

by Kathleen Klenetsky

All of the "good-government" types, media pundits, and Rep. Newt Gingrich (R-Ga.) clones who hounded Rep. Jim Wright (D-Tex.) out of office with accusations of violating congressional ethics and peddling his political influence on behalf of the savings and loans institutions, have conveniently managed to overlook one of the most blatant examples of conflict of interest in the current U.S. Congress.

The case in question is that of Tom Foley, the Washington Democrat who replaced Wright as Speaker of the House of Representatives. *EIR* has obtained documentary evidence suggesting that Foley is owned by precisely those Wall Street financial interests that are poised to gobble up hundreds of ailing thrifts, under the terms of the Bush administration's S&L bailout plan—a plan which Foley played an indispensable role in ramming through Congress June 15, just days after he took Wright's place.

The Salomon Brothers connection

According to his most recent filing with the Federal Election Commission, Foley received an extraordinarily large proportion of his campaign funds from oligarchical financial institutions, especially the New York-based Salomon Brothers investment banking firm. The Foley FEC filing for 1988 lists approximately 250 people who contributed $500 or more to his reelection effort; of these, nearly 25% are executives with Salomon Brothers.

Although Salomon Brothers' extremely generous support for Foley would be remarkable under any circumstances, it takes on particular significance in the context of the S&L situation, and the ouster of Jim Wright and Majority Whip Rep. Tony Coelho (D-Calif.), who was also accused of having too cozy relations with the S&Ls.

Just as the attack on Wright was reaching its climax and his resignation seemed assured, Salomon Brothers announced that it was entering into a partnership with the Old Stone Corp. of Rhode Island and the Blackstone Corp., an investment firm headed by Council on Foreign Relations board chairman Peter Peterson. The three firms were collaborating in establishing a new entity, Stone Capital Parties, for the purpose of buying up cheap the hundreds of U.S. thrift institutions that have been driven into bankruptcy as a result of Reagan-Bush deregulation policies, and the collapse of the U.S. economy.

It's hardly surprising that no ethics spotlight has been directed at Foley's sweetheart relationship with Wall Street, or that, so far at least, *EIR* has been the only news organization to bring it to the public's attention.

That simply underscores that, no matter what the *Washington Post* may have piously claimed, the issue in the Wright case wasn't ethics or influence peddling in and of itself, but *whose* interests are to be served by the government. In the moral schema of George Bush's Washington, it's perfectly fine for Tom Foley to defend the interest of Wall Street banks, which feed off dope money, speculative investment, and usury, but it is the highest political crime to defend the interests of those institutions that are part of the productive economy.

It's no secret in Washington, that one of the principal reasons Jim Wright was forced from office, was that he had attempted to defend the thrifts industry, especially in his home state of Texas. The effects of former Federal Reserve chairman Paul Volcker's double-digit interest rates during the Carter administration, followed by the passage in 1982 of the Reagan-Bush banking deregulation bill, combined with collapsing real estate and oil values, sent hundreds of Texas S&Ls into bankruptcy. The "ethics probe" into Wright focused in part on his allegedly inappropriate interventions on behalf of his state's thrifts.

Wright was known to believe that allowing the state's S&Ls to be bought up by the big money-center banks, would further decimate the Texas economy. Kenneth Guenter, executive vice president of the Independent Bankers Association, gave an indication of why Wright was targeted, when he told the *Congressional Quarterly* that the former Speaker had been "a firm, ongoing proponent of a diversified banking system, and an opponent of massive concentrations of power."

The Bush administration, whose S&L package was clearly geared toward facilitating the buy-up of the remaining S&Ls by the money-center banks, saw the Speaker as a major obstacle to getting their S&L plan through the House. Therefore, it was hardly surprising that the political assassinations of Wright and Coelho occurred just as the Bush plan came up for consideration.

The House passed the administration's S&L proposal by a vote of 320-97 on June 15. The Bush victory was a complete turnaround from the situation that had earlier prevailed. Many congressmen, including many Republican members, had introduced amendments that would have modified the Bush package, so as to keep alive hundreds of thrifts that would, under the administration's tough new capital requirements and other provisions, fail, and then see their assets devoured by Salomon Brothers, Merrill Lynch, or one of the other megabanks that are planning on making a bundle by feeding off the carcasses of the S&Ls.

This unfortunate reversal can be credited to the police-state tactics which Bush and his allies are freely using to force their policies through. According to various sources, the watergating of Wright and Coelho played an indispensable role in creating the climate of fear and intimidation that ultimately succeeded in stampeding Congress into backing the Bush plan.

Stu Eizenstat, former top domestic adviser to President Jimmy Carter, gloated in an interview in mid-June that the reason the Bush proposal won by "such a lopsided vote, was that many of the congressmen who had planned to offer amendments to the bill, decided not to, because they didn't want to be seen as giving a sweetheart deal to the S&Ls." They saw what happened to Wright and Coelho because of their ties to the S&Ls, Eizenstat continued, and they didn't want it to happen to them.

For weeks before the vote, the *Washington Post* and other media outlets had kept up a steady stream of stories focusing on the "corruption" allegedly endemic among the thrift institutions and their congressional partisans.

Foley's role

Tom Foley played a crucial role in forcing the Bush bill through, collaborating closely with the White House to whip his congressional colleagues into line. "Without Foley's assistance, I doubt very much that the package would have been passed by the House without a string of amendments," said one Washington insider.

Foley, and Newt Gingrich—the libertarian Robespierre who fomented the "get Wright" campaign—were among a select group of House leaders who met with the President on June 14 to map out last-minute plans for ensuring the S&L package's adoption by the House. That same day, Rep. William Gray (D-Pa.), emerged from the Democratic Congressional Caucus meeting which elected him to replace Coelho as Majority Whip, and announced to reporters that his goal was to get the administration's misnomered bailout plan through the House.

As Eizenstat put it, the passage of the S&L plan "is testimony that Foley and Bush have already succeeded in establishing a bipartisan consensus" on key policy issues.

Foley himself, appearing on one of the national television talk shows June 18, proudly pointed to the S&L bill as an example of the cooperative relationship he and the White House have forged.

Bipartisan disaster

The Foley-Bush brand of bipartisanship spells disaster. Besides costing taxpayers $300 billion, the bill will put 700 S&Ls out of business by doubling capital requirements over the next few years; this means that the taxpayer will foot the bill for tens of billions of dollars more in the resulting liquidation and sell-off of these institutions, which will be sucked up by the Wall Street crowd—like Foley's sugar-daddies at Salomon Brothers—to bolster their own deposits.

Originally created to be the bedrock of the home mortgage market, and one of the few credit sources independent of Wall Street, the S&Ls will totally disappear.

Unheralded in the press accounts of the bill, are the police-state measures given to the FBI and Justice Department to "clean up" the S&L mess. Under the terms of the Bush plan, the Justice Department will receive an additional $50 million to prosecute S&L executives accused of bad banking practices. This will enable the hiring of 100 new federal prosecutors and 200 new FBI agents. The bill also doubles the statute of limitations on bank fraud cases from the current 5 years to 10 years.

Passage of the S&L bill is not the only disastrous outcome of the current "ethics" campaign. The orgy of scandal-mongering has also given new life to various congressional "reform" proposals, which all share a common goal: cutting Congress off from constituents, so that it can function as an efficient rubber stamp for the fascist economic policies that are coming down the pike.

Former President Jimmy Carter, who's virtually functioning as George Bush's co-President, laid out the general lines these "reforms" will take, in a commentary published in the June 12 *Washington Post*. Entitled, "Congress for Sale—The Former President Thinks It's Time for Reform," the Carter piece painted the Congress as a bunch of crooks who should be ruled by fear. "It is unfortunate that only a major scandal and an aroused public are likely to bring an end to the acceptance of large sums of money from lobbyists and others who now routinely and legally benefit from the 'obligations' they purchase," the Trilateral Commission's Carter wrote.

Carter attacked not only receipt of honoraria for speaking engagements by congressmen, but even contributions from political action committees (PACs). He demanded "practical limits on campaign expenditures and an end to speaking honoraria, special entertainment contributions, and financing by PACs" in return for which congressmen would receive a pay increase.

Carter's recommendations bear a marked similarity to ones made earlier this year by his former White House counsel, Lloyd Cutler, who headed a commission on federal pay scales. Cutler, who has spent the last decade organizing against the U.S. Constitution, on the grounds that it permits too much constituency pressure on elected officials, is another financial backer of Tom Foley.