

The 'Bermuda Triangle' Conspiracy: Part II

Where All the Money Goes: Inside the 'Bermuda Triangle'

April 27 (IPS) — "On the 40th floor of every Wall Street bank building sits a Vice President-level man with a video terminal hooked to a computer terminal in the Bahamas. The job of this senior bank executive is to juggle billions between the Bahamas, New York and London. None of these shifting billions ever show up on any of the official reports of the banks."

That's how Wall Street's foremost bank analyst, intimate with the goings-on within Rockefeller's international banking empire, described the "Bermuda Triangle Banking Conspiracy." "This conspiracy," states a knowledgeable Montreal-based securities dealer, "is the biggest swindle going on in the whole wide world." One that has made monkeys of all central bankers and taken over all established governmental regulatory authority over money, credit and trade. The manipulation of hundreds of billions of dollars, including Mafia money, by New York bankers in the so-called Eurodollar market completely outside the financial reporting system, has in essence institutionalized big crime and fraudulent bookkeeping.

When the Wall Street bank analyst was apprised of the U.S. Labor Party's intentions to bring this conspiracy to the attention of Congress in order to subpoena the Caribbean and other "offshore" books of the major New York banks and major oil multinationals, his reply was: "The problem you're going to run up against is that it will be difficult for you to get any books beyond the official books." The overseas assets and liabilities of U.S. banks included in the Federal Reserve's bulletin are merely the tip of the Eurodollar iceberg.

"The Bermuda Triangle Banking Conspiracy"

What then is this swindle that has turned the international monetary system into one big Monte Carlo gambling casino, made a mockery of heretofore "standard" bank credit generation practices, wreaked incalculable havoc on worldwide production and trade, and successfully thwarted all attempts by the late Congressman Wright Patman (D-Texas) and others to expose its sordid details?

The U.S. Labor Party's initial probe has revealed that there is near-universal suspicion regarding existence of a vast illegal conspiracy among U.S. regulatory authorities, the international financial community, Congressional layers, and within the U.S. Federal Reserve System itself. Since the Labor Party's probe began, "offshore" scandals have hit the front-pages of major newspapers on both sides of the Atlantic. The aim of such reportage is to cover up the involvement of Federal Reserve Chairman Arthur Burns, the New York banking giants, House Banking and Currency Committee Chairman Rep. Henry Reuss (D-Wisc.), while "watergating" the powerless Office of the Comptroller of the Currency. It is imperative that the real story on this gigantic swindle be made the subject of Congressional investigation to bring the "Bermuda Triangle Conspiracy" under the purview of the U.S. law.

In 1969, the Board of Governors of the U.S. Federal Reserve System under the chairmanship of the avowed

protector of New York banking interests, Dr. Arthur F. Burns, allowed U.S. banks to operate unregulated "offshore" branches in the Caribbean islands and elsewhere with the purpose of "promoting international commerce." No wonder then that as of December 1975 there were 123 U.S. banks with operating "shells" in the Caribbean, at least 71 of which had only these subsidiaries outside the continental United States. Chase Manhattan, Citibank, Morgan, Chemical Bank and others rushed in to partake of the illicit fund bonanza that has been characteristic of these islands since at least the 1930s and was already fully exploited by British, Canadian, Swiss, and Japanese banks that have operated here.

Where Does The Money Come From?

There are three major sources of funds that flow into the Caribbean. Billions of capital "flight money" flows into numbered accounts from the Third World and Europe — most emphatically Latin America, Mideast, Italy — forcing the central banks of these countries to turn to the international banks for loans to pay for their imports and debt service. As such, the traditional role of Panama, Zurich and Beirut financial centers has been superceded by the Caribbean.

Another source is the unreported overseas revenues of multinational corporations. Such "offshore" locations are justifiably called "tax havens" for international corporations.

Finally, there are the joint CIA-Mafia funds that find a convenient home in these islands.

The Chicago Federal Reserve lists the total liabilities of all 123 U.S. banks in the Caribbean at less than \$10 billion. Chemical Bank reports 0 assets and \$3 million in liabilities in Jamaica and zilch in Nassau. If this is true, then what, one wonder, are 123 U.S. banks doing in the Caribbean?

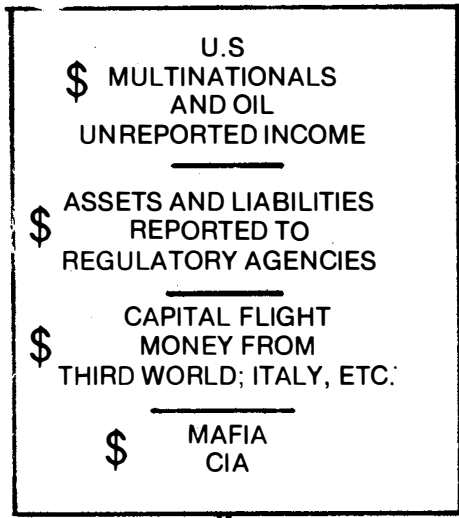
Very little actual cash ever makes its way to Caribbean "shells." A typical bank shell is a small office like a walk-in closet, a telephone, a general ledger, and a video terminal or telex. Typically, the shell has no full-time employees; work is contracted out to agencies that send out personnel for punching in a few dollar entries; after making a few entries, such personnel go on to the next shell.

Most corporations registered on the islands are what are termed "brass plate" companies — all they require is a brass plate with a name on it and they are a "legal corporate entity." This makes it rather convenient for the CIA, British Intelligence, Mafia, and other shady operations who effectively control the area to use the Caribbean for laundering their funds. In the Grand Cayman alone, an island that guaranteed tax-free status for the next twenty years (even in the event of future decisions to tax business income), boasts 90 U.S. banks out of a grand total of 185. Grand Cayman, a tiny British protectorate of 13,500 inhabitants, although lacking a gambling casino, shares with its Caribbean neighbors just about everything else — an abhorrence for all taxes, accounting audits, minimum cash reserve requirements on bank deposits, and regulation in general. Financially, anything goes.

The authorities strictly adhere only to requirements of a name, evidence of possession of a bare minimum of cash, and

INTERNATIONAL CAPITAL FLOWS

"Offshore" tax havens for U.S. multinational corporations and "offshore" shells of U.S. banks provide U.S.-based institutions with the leeway to report only part of their incomes to U.S. authorities for tax purposes. It is estimated that hundreds of millions of dollars worth of U.S. taxes are not collected due to this arrangement.

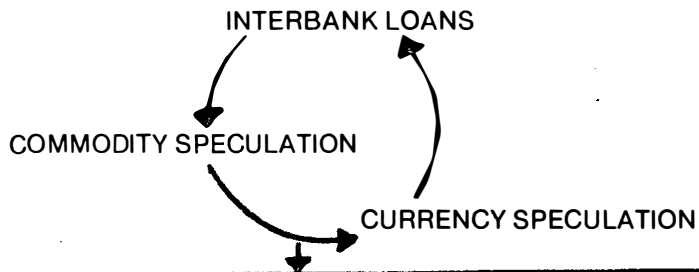


U.S. BANKS

LONDON—EUROCURRENCY MARKET

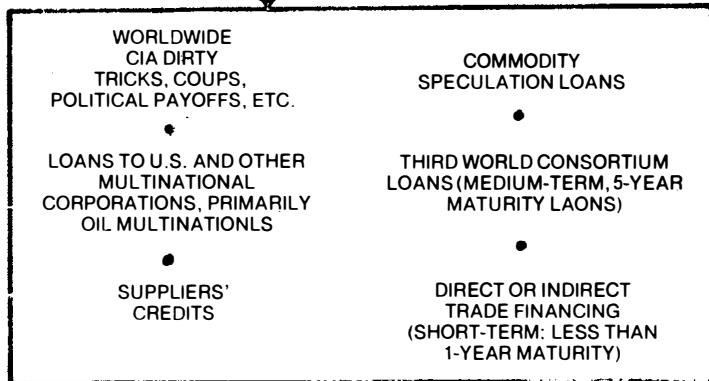
In this unregulated market both legal and non-legal money become "legal tender" and total credit of 'n' times the deposit-base is generated.

CAYMEN ISLANDS OFFSHORE BANKS



..... Lines indicate flows of Dollars for bookkeeping purposes only — little or no actual Dollar flows. This book-keeping procedure keeps the Dollars off the books of U.S. banks which are subject to regulation

— ACTUAL DOLLAR FLOWS



While the U.S. economy rots, the growing mass of unlendable funds pours out of the New York banks into Cayman Islands, Bahamas, or London "offshore" branches, where it becomes roughly 12 times that amount of Eurodollar market casino chips. The still modest-commodity price boom consists of the following:

A New York bank transfers a mere \$10 million to its Bahamas branch. This sum is deposited and re-deposited between various banks in the Caribbean and the London Eurodollar market, creating roughly \$120 mil-

lion, on average, in new deposits among the New York banks' island "shells." These deposits are then used to secure contracts for the future delivery of copper or tin at 10 per cent cash down, through any one of 20 "investors' funds" run between the Bahamas and the London Metals Exchange. In sum, a \$10 million deposit from Chase Manhattan's head office can buy \$1.2 billion worth of copper futures contracts in London — through the "Bermuda Triangle" hoax that has replaced the capitalist monetary system.

the willingness to pay a token licensing fee — not unlike a license fee charged on a TV set in some parts of the world — before anybody is allowed to conduct business. Two U.S. Federal investigators who went down to the Bahamas in 1959 were unceremoniously kicked out by the “local authorities.”

Where Does It Go

The bulk of the illicitly generated cash (estimates place the size of such cash flow at from \$48 billion by a spokesman for the Boston Federal Reserve to the “several hundred billion dollars” by a Montreal-based money manager) without an investigation there is no way to tell — actually ends up with the head offices of New York, Toronto, London, Zurich and Tokyo banks from where it is channeled into the London-headquartered Eurodollar market. There is no existing international law that can regulate the flow of such funds — whether they are reported or not — between the overseas subsidiaries of a bank and its head office. In the freewheeling Eurodollar market an estimated \$200 billion in short-term “hot money” changes hands at a furious velocity in the “inter-bank” market (the term referring to banks lending to each other from overnight to six-month credit). The amount of pure fictitious credit generated off of the headoffice deposit-base depends entirely on the whims of the bankers involved. As long as the Caribbean umbilical cord remains intact, or the speculative currency and commodities bubble does not burst, this con game can go on indefinitely.

A wholly regulated bank must not only balance its assets (loans, government securities holdings, and reserves with the central bank) and liabilities (deposits, equity capital, other borrowings), but also maintain cash reserves of a required percentage of total deposits with the central bank. Financial journals openly concede that even the reportable assets and liabilities of a Eurodollar bank never match — except on reporting dates. Banks can borrow funds from other banks or temporarily transfer deposits from headoffices to match their books. Once the reporting requirements are complied with, the funds are promptly returned to their original addresses.

Staggered reporting requirements for headoffice and foreign operations encourage the process. For instance, the overseas reports of U.S. banks that are consolidated in the monthly reports to the Federal Reserve are as of the 20th of the month, whereas stateside operations are as of the end of the month. Such leeway on even the legal reporting requirements provide the international banks a vehicle for the massive shifting of funds to hide their skewed loan exposures. Governments are generally very lax on regulations and reserve requirements on foreign banks.

Not surprisingly, the required reserves for all of Citibank's overseas operations, for instance, are 0.6 per cent, according to an inside source, whereas the federally regulated reserve within the U.S. is about 20 per cent.

If that is the legal leeway, then, given what is widely known about the Eurodollar market, it is not hard to imagine what the nature of the credit generation process is. The widely held notion that total new Eurodollar credits are roughly twice publicized amounts is a fairy tale. Knowledgeable Wall Street sources concede that only a 15-minute deposit acquired on the interbank market is required for a bank to issue a new loan. Between the initial deposit and the final borrower, as many as 12 to “n” banks will hold this money for short periods and make new loans on this deposit base.

The final lender, making a medium-term (3-5 year credit) loan to, say a Third World nation, would require that the

borrowing country keep the money on deposit with the bank for a period of six months (a standard procedure), meaning the money can in the interim make the interbank rounds.

That is why, nobody can even venture to guess how much new credit is really being generated in the Eurodollar market. It would be fair to say that the reported loans and revenues of New York banks and major oil multinationals are merely the legal cover for their illicit operations.

Out Of Thin Air

Thus bankrupt New York banks and their Eurodollar subsidiaries (with anywhere from 50 to 70 per cent of their total assets bad due to non-interest-accruing loans to the bankrupt Third World, tanker fleet, real estate trusts, etc.) continue to generate hyperinflationary new credit out of thin air, the bulk of it unreported. Since the 1971 inconvertibility of the U.S. dollar and the imposition of floating currency exchange rates, Eurodollar banks have had a field day speculating on currencies, which effectively creates the demands for more interbank lending, and hence more hyperinflationary credit generation.

The plethora of Caribbean-based commodity trusts, speculating on commodities on 10 per cent margin, provide yet another vehicle to keep the hyperinflationary bubble going while real production and trade grinds to a halt.

Hyperinflation

Exactly as Rep. Wright Patman (D-Texas) had warned Congress on April 9, 1973 after his efforts to override the Bank Secrecy Act sheltering the banks from fully disclosing their offshore assets and liabilities were frustrated by the Democrats on the House Banking and Currency Committee, the entire operation has had devastating hyperinflationary affects on the international economy. As recent currency dislocations indicate, this process has weakened the world's currencies and devalued all tangible assets. The Federal Reserve has reportedly been intervening regularly on the foreign exchange markets on behalf of the rapidly disintegrating U.S. dollar.

Over the past month, key commodities traded on the world exchanges zoomed up towards their 1974 speculative highs. The leading industrial metals, which are the benchmark for all industrial raw materials prices, rose by 20 per cent since March alone.

While the U.S. economy falls apart, the growing mass of productively unlendable funds on the book of Caribbean shells, pour out unchecked from New York bank head offices and into the London Eurodollar market, where they can hypothetically generate 12 times their original amount in Eurodollar credit. Under present banking procedures, it is possible to buy \$1.2 billion in copper futures, say, with an original \$10 million transferred from the New York headoffice of a bank. The operation would look like this:

A New York bank transfers a mere \$10 million from its Cayman Island shell to London via its New York head office. This sum, deposited and redeposited by a string of Eurodollar banks, each using this deposit to generate a new loan or loans, can create roughly \$120 million in credit. If all the credit so generated were then to be invested by one of the commodity funds operating out of the Caribbean in copper futures at 10 per cent margin (i.e. actual down payment) on the London Metals Exchange, the total amount involved in copper speculation would then be a staggering \$1.2 billion.

It is this unrestricted credit bonanza that is now leading Chase Manhattan and Citibank subsidiaries in London to

enter the highly risky field of forfeiting. This involves the financing of Third World trade through the discounting at astronomical rates of three to five year maturity letters of credit issued by Third World banks. The awesome amounts involved, the long maturities, and finally, the fact that the borrowers are Third World countries with some of the largest balance of payments problems, would indicate that the prime purpose of this lending activity is not the ultimate collection of the uncollectable debt but the immediate inflow of cash from the discounting involved.

Forfeiting is merely one example of the kinds of risks the international banking system is willing to take to keep the speculative bubble going.

One Wall Street banker described the present international monetary system as a con-game operating on the "greater fool" theory. "As long as there is a guy down the road willing to partake of it, the international banking system will continue to generate the credit to keep the speculation game going," he stated. It is no longer a matter of concern whether the multiplying debt will ever be collected, the immediate concern is to keep the short-term cash inflow on the books coming in. One is reminded of that notorious "offshore" operator — Bernard Cornfeld — who would print up stocks of dummy corporations and by merely exchanging them for other worthless paper of dummy corporations, would effectively create a market demand. Prices for such "equities" would then soar. Chase Manhattan and other New York banks, which had ample dealings with Cornfeld, are now freely using his ingenious chain-letter "method" to make a killing of their own.

Eventually, the mass of credit generated in the Eurodollar whirlpool ends up in the national sector economies of both industrialized and bankrupt developing countries around the world, playing havoc with the economies involved. While CIA and other dirty tricks money is channeled via the oil and other multinationals into every nook and cranny of the world for political payoffs, to but a coup here and assassination there, an additional undisclosed amount of indirect suppliers' credits are channeled to the Third World and elsewhere — all of which remain completely outside the purview of inter-

national authorities. All these credits and payments end up as claims on the central banks of various countries who have to print up their local currencies to meet the burgeoning demand. Inflation is thus being exported around the globe.

Such is the need to create ever-new avenues for speculative profits that the New York banks successfully pressured the West German authorities to agree in the early 1970s to create an unregulated Euromark market in Luxembourg. This market — now estimated at 20 per cent of the total size of the Eurodollar market, whatever that may be — provides an outlet for currency speculation, while promoting the use of the West German deutschemark as a buffer reserve currency for the dollar. The West German deutschemark now performs the same function that the pound sterling did until it was too battered over the recent period to continue in that role. Under this arrangement, the Bundesbank, the West German central bank, must continue to buy billions of worthless dollars to protect its export-competitiveness. The Bundesbank must also follow highly restrictive domestic credit policies in order to avoid triggering raging inflation resulting from the acquisition of these high-powered dollar reserves. These are precisely the policies that Britain followed while the sterling was the dominant buffer reserve currency to the dollar — policies which effectively destroyed the British economy.

The uncontrolled eurodollar market has so devastated the international economy that only the declaration of debt moratorium on all dollar-denominated debts as a first step will suffice. Otherwise, the speculative credit spiral emanating from the Eurodollar market, which constantly demands more speculation to perpetuate it, will engulf the world in a nuclear or ecological holocaust by 1977 at the latest.

Anybody who denies what we describe to be reality, anybody naive enough to gauge the goings-on in the world economy from the Federal Reserve's weekly money supply statistics, the Commerce Department's trade figures, and corporate profits reports, the OECD's growth forecasts, is himself caught in the layman "shell-game" and is being played for a sucker.