

# Save the U.S. savings Edwin Gray proposal

by Lyndon H. LaRouche, Jr.

The 1983-87 chairman of the Federal Home Loan Bank Board and head of FSLIC, Edwin Gray, has some useful proposals for emergency action to save the United States Savings & Loan institutions from a catastrophe as bad or worse than that of the 1931-34 period.

As I expected, and warned during my campaign for the Democratic presidential nomination, the next U.S. financial crash to follow the October 1987 crisis, was being merely postponed until after the November 1988 election. Immediately following President Bush's inauguration, the new crisis has begun to erupt, with an open fight between President Bush and Federal Reserve chairman Greenspan, and an imminent collapse and looting of a major chunk of the U.S. savings institutions, the Savings and Loan associations.

As quoted in the Washington, D.C. leak-sheet, *Regardies*, former FSLIC chief Edwin Gray charges that former Treasury Secretary Donald Regan deliberately bankrupted the S&Ls. This is the same charge I made during the 1988 Democratic nomination campaign. Mr. Gray adds information on Treasury Secretary Regan's expressed views, which I did not have at that time.

In an *EIR* interview, Mr. Gray reports that Mr. Regan acted deliberately to "destroy the FSLIC, the Home Loan Bank Board, and the S&Ls for five years" because "he thought there is too much housing in America," and because "he wanted to give the [deposit] business to his friends on Wall Street."

I endorse adoption of Mr. Gray's recommendations:

- 1) Immediately reinstitute all S&L regulations, such as Regulation Q and other protective legislation.
- 2) Strengthen FSLIC by taxing speculative income.

Mr. Gray's proposals are useful, and urgent, but they are not sufficient. The other measures which I outlined during my campaign must be adopted, or the savings of many ordinary Americans will simply be wiped out, or nearly so.

## **The LaRouche measures**

What I proposed, and should be done immediately, are the following:

- 1) Federal Reserve reform establishing a two-tier credit system.**

My 1981 Federal Reserve Reform Act proposed: a) Prohibit the Federal Reserve from creation of fiat money (money

# and loans: should be adopted

supply) to the Wall Street banks through its current open market operations. b) Provide the banking system and S&Ls instead with large amounts of new credit through the Fed's discount window. S&L mortgages as well as other productive bank loans earmarked for agriculture, new capital investment, production, transportation, etc. would be freely discounted for cash up to 50% of their face value. This would allow banks and S&Ls to make further such loans at a low tier of 2-4% interest rates. c) Speculative paper would be discounted only at high rates, forcing the banks to charge a higher tier of rate to borrowers seeking credit for speculative ends. d) Raise reserve requirements on banks and S&Ls whose assets show an inadequate proportion of productive lending, that is, fall below a new Federal Reserve "productive loan standard," where loans for production are at least 80% of assets. This gives market advantage to traditional S&L mortgage lenders and industrial and agricultural bankers.

2) **Tax reform**, directly opposite to the tactic recently proposed by Nicholas Brady. Brady's proposals, although premised on some valid observations, do not address the underlying issues, and would, in fact, play into the hands of Bush-wrecker Greenspan. All proposals to replenish the FSLIC or otherwise solve the S&L crisis by taxing productive S&Ls or their depositors are suicidal. a) The American family, the basic depositor in the S&Ls, is already being prohibited from family formation by the tax structure, and needs a huge tax cut. My 1981 proposal, "Taxation for Capital Formation," pointed out that while 80% of households had an income of \$20,000 or less, only 17% of those families had two or more children, the minimum necessary to reproduce the population. Today it is worse. I propose to remove all tax liability up to annual incomes of \$30,000. Under this proposal a great many savers would pay no tax on S&L deposit income, encouraging deposits. b) For depositors with higher income, provide savings incentives with exemption of 50%, or \$1,000, whichever is higher, on interest income on deposits in S&Ls and banks whose asset base meets the new Federal Reserve standards. This would make interest income on large deposits competitive with tax-free bonds.

3) **Tax financial institutions with a certain level of business in the Eurodollar market at a much higher relative rate.** Revenue to replenish the FSLIC and make up for the family-formation tax cut by increasing tax schedules on

income and capital gains on nonproductive investment, especially commercial real estate. This would include financial institutions with a significant proportion of assets and deposits in the Eurodollar market (See my statement "U.S. Not Responsible for Eurodollars," *EIR*, July 20, 1982).

4) **Reinforce and strengthen the Glass-Steagall Act, directly opposite to Bush-wrecker Greenspan's proposal to eliminate that Act.** This was the 1934 Act which separated Morgan Guaranty commercial bank from the Morgan, Stanley stock brokerage so that the banks could not use depositors money to speculate on the stock market instead of making productive loans.

## The enemy game-plan

The current effort to wipe out most of the S&Ls, by turning their looted carcasses over to the Wall Street vultures, is the first of a series of steps being taken in support of a plan by a cabal around former West German Chancellor Helmut Schmidt's globalist think-tank, the Inter-Action Council, and by a new globalist agency soon to be launched and headed nominally by Schmidt. Greenspan's actions have identified him as a supporter of that cabal.

The intent is to sink the U.S. dollar through a new international financial crisis orchestrated by a consortium of powerful European financier interests. The object is to put the U.S. under IMF "conditionalities," and to proceed to loot the U.S. in a way similar to that already being done to Mexico and other developing-sector indebted nations. This action is scheduled to be unleashed in full force by no later than this coming summer.

The object is to place the world under the iron-fisted control of a handful of international financier cartels, who enrich themselves by looting the industries, farms, infrastructure, and populations of North America and Western Europe in the same way they are looting the nations of Africa and Central and South America.

In the course of this, they intend to break the Bush administration politically, by aid of an orchestrated holocaust of "reversed financial leverage" against the bloated U.S. financial structures. Greenspan's actions, including his efforts to push up interest-rates, are setting the stage for the planned new financial crash.

The alignments in this are as follows:

The enemies of the Bush administration are centered in its professed "best friends" in London and Zurich, and in the London-allied Mitsui financial factional minority in Japan. Allied with the Bush administration, are the so-called Mitsubishi interests of Japan, including the Dai Ichi bank, the Mitsubishi bank, and others. The attempted "watergating" of the Japanese government of Prime Minister Takeshita is part of the London-Zurich-Mitsui operation against Mr. Bush's strategic flanks.

The Japan forces behind Prime Minister Takeshita are supporting the U.S. most energetically, and massively, be-

cause Japan's patriots believe that Mr. Bush represents a stable institutional force inside a U.S.A. upon which the survival of Japan as a free nation depends.

Helmut Schmidt and the Inter-Action Council represent well-known international connections centered in the London, Zurich, and Mitsui Liberal Establishment factions. The fact that Herr Schmidt is a former German chancellor is secondary in importance to the fact that his career in postwar Germany was launched by London, and that he has close ties to the London Chatham House faction of London and the U.S.A.

The factional alignment behind these moves, is principally as follows:

In the U.S.A., the center of the scheme against President Bush and the United States, is those circles centered around Gerard Smith and Lloyd Cutler who are leading supporters of the "Europe 1992" world-federalist project in the United States. This is the liberal faction centered around the New York City Anglican diocese of Bishop Paul Moore, and together with Bishop Moore, the Satan-worshipping Lucis Trust and the assortment sponsoring the Lucis Trust's United Nations Association and Temple of Understanding.

The enemy of the U.S. in Western Europe, is centered in that part of the Anglo-American Liberal Establishment to which Bishop Paul Moore's diocese is most closely tied.

The general plan is as follows:

1) To continue the 1985-88 pattern of appeasement of Moscow, the "pro-*glasnost*" policy of "I Like Gorby" centered in such figures as London's powerful Victor Rothschild and the darker, more powerful figures he represents as a front-man. Use globalist "understandings" with Moscow, as an aid to crushing all independent opposition to the Anglo-American Liberal Establishment within the United States and other nations.

The recent legal frame-up patterns against me and my friends are but an aspect of that pattern of crushing and elimination of all independent forces of determined opposition to both Soviet appeasement and the neo-feudalist sort of globalist fascism sought by the relevant elements of the Anglo-American Liberal Establishment.

2) Split the United States from Western Europe strategically, as rapidly as possible, while establishing London-centered cartels as the dictatorially dominant forces within a "federalized" Europe.

3) Eliminate the sovereignty of the United States by approximately the summer of 1989, through a crushing financial crisis which places the U.S. under IMF "conditionalities."

In the meantime, London elements of this cabal are going to great lengths to paint themselves as admirers and friends of the Bush administration, to lull that administration into a state of overconfidence in suggested understandings reached with London forces.

The efforts by Greenspan to increase interest rates, to

dissolve the anti-Depression Glass-Steagall Act, and to assist in the looting raid on the S&Ls, are preparatory steps being taken to prepare the way for the scheduled financial crash later during this year.

The battle to save the S&Ls and ordinary Americans' savings from the looting-operations of Wall Street and London financier cartels should be mounted as a first counter-measure against the plot of the U.S.A.'s deadly Liberal Establishment adversaries.

Mr. Edwin Gray has presented valuable warnings and suggestions. Those should be supplemented promptly by the measures which I proposed during my 1988 presidential-nomination campaign. Those actions, by themselves, are only defensive actions, which will not solve the problem by such measures, alone. They are defensive measures, which buy the U.S. government time for putting more fundamental actions into place.

*Excerpts from Edwin Gray's remarks reported in the October 1988 issue of Regardies:*

On the 1984 rescue of Financial Corporation of America, the nation's largest thrift: "In September 1984, given the fact that FCA was threatened with a continuing liquidity crisis and had virtually run out of collateral with which to borrow either from the Federal Home Loan Bank or the Federal Reserve, we had gone to Dick Pratt, my predecessor at the bank board, who at the time was in a key position at Merrill Lynch. He was putting together a \$1 billion brokered funds package at our request. This would provide liquidity for FCA, which was desperately needed to stay ahead of the crisis.

"Then, one day, Pratt called to say that he couldn't go ahead with the deal. He said that he'd been overruled by his superiors. By the skin of our teeth, the next day we lined up another firm to put together the deal. . . . More than a year later Pratt confided to me that Don Regan had been the reason that his superiors had overruled him. He said that Don Regan had intervened and caused his package at Merrill Lynch to be scuttled. I found this to be interesting indeed."

On his warnings of the coming FSLIC crisis: "I was talking about the problem way back in 1983. I realized that I'd probably have the problem dumped on my doorstep down the road, and I wasn't about to countenance that. I felt very strongly that I had to make my concerns about the FSLIC known early on. But I felt that if I wasn't careful, I could start a run on federally insured institutions, so my statements were carefully crafted to try to prevent that."