

An open letter to Walter Wriston

by Lyndon H. LaRouche, Jr.

Leading British press are currently echoing the privately expressed opinion among leading financial authorities throughout Europe. A group of leading U.S. commercial banks, including Citibank, Chase Manhattan, Manufacturers Hanover, and Continental Illinois, are at the verge of collapse.

I do not rejoice at this news. Although the officials of these banks ordinarily judge themselves to be my adversaries, in some cases my avowed enemies, I am obliged to attempt to save these commercial banks for the sake of our nation and its vulnerable ordinary citizens.

Walter Wriston, I appeal to you and others of the banking community to come to your senses on this matter, before irreparable damage occurs.

As you already know, the danger to the U.S. commercial banks comes less from the unpleasant condition of portfolios and accounts, than from the wicked determination of irredeemably evil asses, such as Henry Kissinger, to bring upon the world that sort of chaos which Kissinger praised during his recent public address at San Antonio. Some mad Nietzschean fool in influential positions in Switzerland, Liechtenstein, Venice, or London, might just make that proverbial telephone-call at any moment, which brings the whole shebang crashing down.

I have communicated to you bankers, and to appropriate institutions in our nation's capital, repeatedly, that the present world financial crisis can be successfully managed. I restate the point again, here.

There is no difficulty in preventing a chain-reaction collapse of that trillion dollars of imminently worthless debt about to crush Western civilization. All that is required to stop the financial collapse is, broadly described, this.

- 1) A general reorganization of international debt and interest-rates simultaneously "across the board," converting imperilled short-term debt into long-term debt at two-percent interest rates.

- 2) The use of powers of government to freeze imperilled paper, to the effect that a period of short-term or medium-term non-payment on such obligations does not create a condition of legal default in holdings of such paper as assets by banking institutions.

Those who insist, fanatically, that the IMF can handle

such problems successfully, on a "case-by-case basis," are behaving as dangerous fools. The international portion of the debt-rollover problem during the weeks and months immediately ahead is in the order of \$700 billion. At Toronto, the IMF could not muster a mere \$100 to \$120 billion. The "IMF solution" is a suicidal pipe-dream.

This is not only my opinion. Olivetti Chairman de Benedetti, who is certainly no political ally of mine, says pretty much the same thing about this silly "IMF solution." So do many other leading financial specialists in Europe.

Otherwise, many among the leading international financial specialists agree that my proposed solution would work as indicated, and also agree that it is the only sane alternative to a general, chain-reaction collapse throughout most of the world during the weeks and months immediately ahead.

The difficulty, they insist to my representatives, is "What comes next?" The indicated sort of financial-paper reorganization can stop the collapse, but, they emphasize, what measures are needed to develop the levels of productive output required to ensure payment of the reorganized debt?

Some fellows in London and elsewhere are thinking in the proper direction. They say, albeit with pained reluctance, that the world must be put through a period of renewed economic growth in basic agriculture, industry and infrastructure, otherwise even the reorganized debts could not be paid. That is what must "come next."

The crucial problem is political, not economic. It is the ideological commitment to what is called "free-market economy" which has caused the present depression and imminent financial crash. It is stubborn insistence on hoping for a magical sort of "free-market economy" solution which blocks any competent action from our government and other influential institutions.

What we must do is to draw up lists of investment-projects. These must all be technologically-progressive investments in rebuilding agriculture, industry and basic economic infrastructure in both scale and rate of goods-output per capita. All credit-creation must be directed almost entirely into medium-term and long-term investments in such domestic and foreign projects. We must shut down all flows of newly generated credit into other categories of investment.

This requires a controlled flow of massive issues of gold-reserve-denominated U.S. Treasury currency-notes for loan-participation through the private banking-system. This loan-participation, restricted to approved categories of investments, is the mechanism for making the holdings of reorganized debt discountable for lending, and thus "live assets."

The "free-market economy" ideologues are now forced to choose between the only two available alternatives: they have no choice but either to accept the "dirigistic" policies I have indicated, or to accept the imminence of the greatest general financial collapse in modern history.

I suggest you accept my proposal quickly; some gentlemen in Switzerland might make that certain telephone call any day now.