PIRNational

The BIS prepares 'Reagangate' as decisions loom on world debt

by Graham Lowry

President Reagan is under assault by forces both inside and outside of his adminstration conducting the advanced phase of an operation to crush the United States economically and politically, with the connivance of Soviet boss and former KGB chief Yuri Andropov. The Swiss-based Bank for International Settlements [BIS], along with the International Monetary Fund and British-directed Morgan financial interests in the United States, has accelerated its drive to use the entirely real threat of a catastrophic financial collapse to place the U.S. economy under IMF dictatorship during the months ahead.

Paralleling this assault, Secretary of State George Shultz (a former Morgan Guaranty international board member) and Vice-President George Bush, in concert with the Malthusian arms-control crowd around the administration, are preparing a strategic disengagement of U.S. forces and influence in Europe, and a disarmament package effectively selling out an economically and militarily flattened United States to Andropov.

The deadline

Close supporters of the President privately assess the situation as critical, and the time remaining to reverse it as barely the remainder of the month of January. With the international financial system heading rapidly toward a blowout if present policies continue, the BIS group has gone all out to force Reagan to accede to its demands during the month he must determine his 1984 budget proposals and set forth his policies in his State of the Union message.

Alongside a media scare spearheaded by the Jan. 10 *Time* magazine cover story on the "debt bomb," the President is

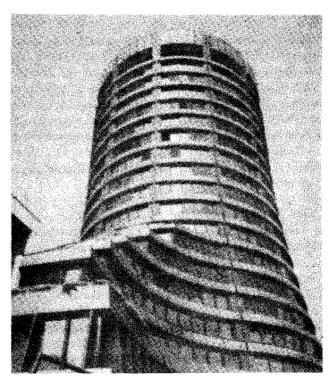
being told privately that he must accept the BIS scheme for a banking bailout and bone-crushing austerity or take responsibility for bringing down the international financial system. During the first week of January, cabinet members led by Shultz and Treasury Secretary Donald Regan used that threat in strong-arming the President to accept the BIS line as cold "reality."

Those sessions were backed up, on the initiative of White House Chief of Staff James Baker, by bringing in the Senate Republican leadership to press the same case—which the President heard not only from BIS mouthpieces like Budget Committee Chairman Pete Domenici and Finance Committee Chairman Bob Dole, but from "loyalist" Paul Laxalt of Nevada as well.

The Nevada Senator went on national television Jan. 9 to announce that, following those White House meetings, Reagan had a "wholly different perspective" on the fiscal problems facing him. Laxalt predicted that the President would agree to cut back defense spending and endorse a contingency plan for increasing taxes after 1984. In another televised interview, Senate Budget Committee member William Armstrong (R-Colo.) joined the call for defense cuts, and indicated something of the scale of austerity the BIS has in mind by calling on Reagan to propose "very bold spending reductions, even abolishing whole programs like Amtrak and the Clinch River breeder reactor, and, if necessary, revenue sharing and subway construction and you name it."

While orchestrating pressure inside the administration for the BIS austerity demands, Secretary Shultz is directing the drive to loot the federal government for a bailout of the IMF and oligarchic private banks holding trillions of dollars of

54 National EIR January 25, 1983



The BIS "money tower" in Basel.

uncollectable loans. According to sources both within the administration and on Capitol Hill, deals have already been cut to ensure a hefty increase in U.S. funding for the IMF this year.

Democratic congressional sources report that, although for propaganda reasons the Democrats will "make a lot of noise" about the IMF increase, their leadership has already decided to pass it, using the same BIS threat of otherwise being responsible for a world financial collapse.

Several sources also insist that George Shultz, the man who built up the supranational powers of the IMF as Secretary of Treasury in the Nixon administration, is openly arguing for making the IMF into a world central bank, a plan also put forth by former Treasury Secretary Henry Fowler at a Senate Foreign Relations subcommittee hearing Jan. 10 (see article, page 4). The scheme was reportedly the subject of a cabinet council meeting with the President Jan. 12.

Strategic disengagement

In the minds of the Swiss and British architects of this plot to put the U.S. economy under an IMF dictatorship, the strategic consequences intended include the elimination of U.S. military capabilities necessary for it to play any decisive role in world affairs. Defense and intelligence sources in Washington report that as part of that plan, a cabal inside the administration led by Shultz and including U.S. Ambassador to Germany Arthur Burns, is working behind the back of the President to secure a U.S. strategic withdrawal from Western Europe—turning it over to the Anglo-Swiss oligarchy as part of a Spenglerian deal with Soviet chief Andropov. The "stra-

tegic disengagement" scheme reportedly has the support of deluded U.S. military circles, and is likely to be the subject of various pieces of legislation in Congress this spring calling for force reductions and withdrawals from Europe.

One of the central tracks in the intended strategic demotion of the United States is the "arms control" process, pursued by its planners as new ground rules for "safely" conducting protracted conventional wars for population reduction in the Third World, and as attempts to ban technological developments that would keep the door open to renewed U.S. economic power. Whatever resistance the President retains to arms agreements diminishing U.S. security, Shultz gained added leverage over the superpower negotiation process in the appointments and firings Reagan announced Jan. 12 for the Arms Control and Disarmament Agency, especially with the President's directive that ACDA report "to and through" Secretary Shultz.

The one key negotiator left untouched in the ACDA reshuffle was the head of the U.S. delegation to the Geneva theater arms talks, Paul Nitze, who is working directly with the Shultz-Burns crew and reportedly has arranged a deal with the Andropov faction to sacrifice the deployment of U.S. Pershing II missiles in Germany. Vice-President Bush's trip to Europe is also designed to put out "signals" that the United States is willing to deal with Andropov and his European allies, and the favorable responses will be fed back as added pressure on the President.

'The smell of Watergate'

Domestically, the same groupings that are pressuring the President on the budget, the IMF bailout, and arms control are also attempting to reduce him to at most a lame-duck Presidency by February. Backed by a mammoth press campaign during the second week of January to the effect that the administration and the President's policies are in ruins, Bush's forces are leading a drive to force Reagan to declare in the immediate future that he won't run for a second term. James Baker, who directed Bush's 1980 presidential campaign, has been deployed as the inside man to convince Reagan that a re-election campaign is politically unfeasible. Should such efforts succeed, and Reagan take himself out of the running now, the Bush and Shultz crowd expect to have practically unlimited control over administration policy making.

Faced with multiple crises, Reagan is under growing time-pressure as well, compounded by effects on his administration as a whole the longer he fails to counter Shultz's policy direction.

"Everyone is trying to cut a deal, mostly behind people's backs," says a source loyal to the President. "You don't know who is siding with whom. The paranoia is intense. There are too many deals, and no real Reagan policy. It can't go on like this. If nothing changes, the White House will become paralyzed, and somebody will eventually pull the rug out from under the President, like they did with Nixon. The smell of Watergate is in the air."

EIR January 25, 1983 National 55