Volcker helps tighten IMF noose around U.S.

by Christopher White

On January 22, the U.S. Federal Reserve, directed by Paul Volcker and Henry Wallich, began to intervene against the skyrocketting U.S. dollar on foreign-exchange markets. The Fed's intervention actions were coordinated with European central bankers, and had been agreed on during the week before in a meeting of the IMF Interim Committee in Washington, D.C.

The Fed's moves are a key part of a package of actions that were agreed on in that Jan. 15-16 meeting. Key to the IMF's intent is that central bankers will now attempt to take political control of the fate of the U.S. dollar away from the competent executive agencies of the U.S. government. In these circles, such an effort is thought to be possible because of the dependence of the U.S. credit system on capital inflows looted from around the world by means of differentials in interest rates and terms of trade that prevail under IMF conditionalities policies. Now the central bankers are attempting to use their leverage to apply such conditionalities against the United States itself.

There are three components to the package:

First, coordinated central bank intervention to attempt to hold the dollar down.

Second, international interest rate adjustment, featuring declines of rates in the United States, and increases outside, in Britain, for example, and perhaps in the Federal Republic of Germany, where an increase in the Bundesbank's Lombard rate is under discussion for the first time in a year.

Third, continuing regulatory reorganization of the U.S. banking and credit system, which is designed to put the United States further under the control of the foreign-creditor interests, typified by the recent actions of Crédit Suisse and its U.S. banking partner, First Boston, the IMF's bank inside the United States.

The plan worked out by the IMF Interim Committee began to be put into effect Jan. 21 when Karl Otto Pöhl, the chairman of the Bundesbank, announced that intervention by the central banks of the countries that are members of the Interim Committee is "reasonable." Pöhl also signalled that the United States would play along. "American officials," he said, "are now more impressed with the harm done to American business by the American dollar."

As he spoke the central banks of Austria, Germany, France, Holland, and Britain began to coordinate foreign exchange sales to "rein in" the dollar. The Bundesbank, for example, began to sell dollars when the U.S. currency hit a level of 3.183 deutschemarks and rode the rate down to 3,165. One day later Volcker and Wallich threw the Fed into the market on the side of the European central banks.

According to French sources, the political underpinnings of this policy were laid down in the United States during the course of Margaret Thatcher's recent visit here with her Chancellor of the Exchecquer, Nigel Lawson. According to the same source, it was also Nigel Lawson who presented the plan to take political control of the future of the dollar away from the United States, to the Interim Committee meeting itself. The British are supposed to be afraid of further collapses in value of the pound, which has sunk to near parity with the dollar.

The British position was said to be seconded by the French who argued that since 85% of foreign exchange transactions are for speculative purposes, and only 15% of the total is for the purpose of financing trade, the central banks and finance ministries must take control of the currency markets.

In other words, the central bankers and their allies who created the massive pool of international speculative funds in the first place, by imposing depression on the advanced-

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sector countries and genocidal conditionalities on the Third World, now propose to take that pool of funds and deploy it to bust the United States as a nation.

They argue for this on the basis of controlling, or reining in, the rise of the dollar. And, indeed, relative to the deutschemark, for example, the dollar is significantly overvalued. However, capital flight from Europe into dollar instruments is significantly fed by the very real fear of Russian military and political moves against Europe, or elsewhere. Those who want to rein in the dollar, also want to cut the U.S. defense budget.

Furthermore, the rise in the dollar has been hyped by collapsing terms of trade in the Third World, brought about by usurious looting and the depression in advanced-sector economies which has collapsed markets for commodity exports, like oil, into advanced-sector industries.

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Those who want to rein in the dollar do not want to turn around the depression in the advanced countries. They want to rein in the dollar, but they do not want to deal with the causes behind the dollar's appreciation. Therefore, something else is at stake.

The dollar, and world credit system, could be straightened out very quickly indeed, by determined action from the U.S. executive branch as Lyndon LaRouche, founding editor of this magazine, has repeatedly advised. U.S. soveriegnty is now held hostage to a pool of off-shore speculative liquidity, in part denominated in dollars, but controlled by no agency of the sovereign U.S. government.

This pool can be dried up, and the political power of those who now seek to destroy the United States, can also be dried up, if the U.S executive branch reasserts its constitutional prerogatives to execute. The dollar must be put on a gold-reserve basis, at about $750 an ounce, and gold-backed Treasury notes issued to put a floor under the nation's rotten and bankrupt banking system. This would permit a renegotiation of Third World indebtedness designed to increase capital-goods and infrastructure quality investment in the so-called developing sector, and revive the failing economies of the advanced-sector nations themselves. The power of those who deploy off-shore, non-sovereign funds to dictate to sovereign, elected governments, would be broken over night. And so also would be broken the apparently intractable problem of the overvalued dollar.

Central banks who supported such action by the U.S. executive, and joined with it, would be welcome trading partners of the United States. Those which preferred to hold paper instruments, unbacked by the credit of any sovereign nation, could continue to do so, in much the same way there are still lunatics today who hold onto the bonds of Czarist Russia. Such moves would end the inflation of the dollar, and the depression. Anyone who talks about reining in the dollar without proposing some such set of measures, is not talking about what he says he is talking about.

But, look also at what the same interests who claim to be reining in the dollar are doing within the United States itself. Corollary moves were put into effect Jan. 23, to complement the foreign alliance of the central bankers. The Federal Home Loan Bank Board opened up hunting season on the nation's savings and loan institutions that day, when it announced that it will loosen codes regulating the purchase of savings and loan banks.

The Board also made the new rule retroactive, to thus include within its compass the large numbers of thrift institutions that had converted from mutual savings institutions to savings and loan status to take advantages of previously liberalized rules for savings and loan investment policy. Final decisions will be made Feb. 1, but the intent to set these recently converted institutions up for takeover, by the same foreign interests who control the capital flows into the United States, has been made clear. California speculator J. Goldrich has launched a test of the new ruling and is attempting to purchase a $1.3 billion savings and loan institution to clear the way for other such transactions.

The renewed attack on the integrity of the savings and loan institutions is the last part of a developing package which has thus far seen the privatization of the Federal Deposit Insurance Corporation, the privatization of the stock options market, the legalization of the so-called nonbank banks, the reorganization of the Chicago Board of Trade, and the reorganization of gold banks.

The U.S. banking system, dependent on foreign inflows for its earnings, is being put through a reorganization, under the direction of the same interests who control and deploy the IMF, to bring it into line with what the British and the Canadians call branch banking.

Again, it is the executive power of the sovereign nation which is under attack. And again, it is within the properly defined competency of the executive branch of government to take counter-measures to preserve the integrity of the nation's financial and credit institutions.

In 1983, U.S. corporations borrowed about $7 billion on the Eurobond dollar market. In 1984 they borrowed $21 billion, three times as much. More than one-half of this flow was organized from London by the combination of Crédit Suisse and First Boston. That, in turn, is only the above-board amount of an estimated $190 billion capital flow over the year which does not go through such orthodox channels. The time has come to dry the whole mess up, and quickly.