Volcker's treason behind '30s-style Ohio bank run

by Chris White

Ohio Governor Richard Celeste's decreeing a ''bank holiday'' for 71 banks in that state, has resulted in an ominous run against the U.S. dollar in international exchange markets. Celeste's action is the first official bank holiday in the United States since the depths of the 1930s Depression.

The dollar dropped from a high of 3.37 West German deutschemarks, on Monday, March 18, to 2.21 by Thursday, March 21.

On Tuesday, as the dollar collapsed to 3.24 deutschemarks, a London financial insider commented: ''The U.S. recovery is magic. What is this great miracle? Even Silicon Valley is in trouble. The whole area of the U.S. from Pittsburgh to the Great Lakes has gone to the dogs. The U.S. economic base is crumbling, people abroad are very fearful.''

In these deepening crisis conditions the role of Paul Volcker at the Federal Reserve System has passed over the border line of treason. Volcker's name is associated with a plan put forward by the International Monetary Fund to put the financially bankrupt United States into receivership under the control of the International Monetary Fund and the Bank for International Settlements (BIS), and to junk the bubbled U.S. dollar.

The plan, elaborated at last September's conference of the International Monetary Fund in Washington, D.C, surfaced again on March 18, under the combined names of Paul Volcker and Lamberto Dini, the Governor of the Banca d'Italia. They propose to subject the United States to the kind of ''conditionalities'' policies agreed on for the developing sector at the Rambouillet summit back in 1975.

Volcker proposes to use the crisis to hand over control of U.S. credit and budgetary policy to a supranational committee of experts, who would replace the sovereign government of the United States. The IMF executive will discuss the plan again April 9, before the IMF Interim Committee meeting April 16 in Washington, D.C.

Under this plan, and with Volcker's connivance, the United States dollar would be supplanted internationally by an alternate credit system based on the European Commission's European Currency Unit (ECU).

While the dollar is the principal currency of the nation-states' credit and trading system, the ECU, which the BIS has agreed to spread globally with the European Commission, would be tied to no nation-state. Instead, currency and credit policy would be run by the BIS, the EC, and a group of private banks, including Societé Générale of Belgium, Lloyds Bank of London, Crédit Lyonnais of France, and 13 others, but so far no Americans. No national government would have a say.

BIS commitment to this dollar-replacement system was announced on Tuesday, March 19, even as the dollar was tumbling. Political support for the new system had been lined up last fall. At that time, Russia's leaders made arrangements to clear through the new system, working through Swiss banks, and the BIS. Volcker's agreements with the BIS and IMF will pull Western Europe into an expanded sphere of Soviet influence.

Behind the Ohio bank crisis, Volcker has made a deal to sell out the bankrupt U.S. dollar for a replacement credit system, independent of the Western nations, but dominated by the Soviet Union.

The crisis confronting the U.S.

The United States is thus confronted with an increasingly urgent crisis in policy which has one of only two outcomes. Either the executive branch will intervene, on the basis of constitutional law, to reorganize the nation's currency and credit, as did Franklin D. Roosevelt at the beginning of his World War II economic mobilization; or, the identified "international institutions" will reorganize a bankrupt United States their way; a sovereign United States will no longer exist and Western Europe will have been pulled de facto into the Soviet camp. Volcker will have cleared the way for Russia's world dominion.

The issue is not the dollar and the bankrupt system per se. The March 16 London *Times* warned that the real issue behind the Ohio bank closings, is the economic crisis in U.S. agriculture and industry: "When the Midwest is suffering, and when Detroit and Pittsburgh are cutting production, the U.S. economic miracle begins to look more precarious than the foreign-exchange markets have assumed."

While the dollar has risen over the months since September to record levels against the deutschemark and other European currencies, that rise is merely indicative of a speculative bubble. In terms of purchasing power, one dollar in a U.S. supermarket buys what one deutschemark will buy in a West German store.

The bloated dollar has been used to purchase imports on the cheap, to sustain the appearance of what Volcker and Donald Regan call the economic miracle of the United States recovery. If these imports are discounted, production levels of, for example, automobiles, have continued their plunge downwards, from what the experts consider the "recession bottom of 1982." The United States is in full-fledged depression.

Collapsing production, and collapsing employment in production of physical goods, must support an ever higher burden of unpayable debt. As of now, every quarter the United States must roll over more debt than the physical wealth produced in a year. The United States is technically bankrupt.

'Is LaRouche right?'

Meanwhile, the combination of the Ohio banking crisis and the recent collapse of the dollar has caused the name of "Lyndon LaRouche" to take on new importance around Washington, D.C. During recent years, the general line of gossip against LaRouche around the nation's capital has been the charge that "LaRouche is a crisis-monger."

During the recent election campaign, LaRouche broadcast on national television forecasts of the crisis that is now emerging, and recommended how it could be reversed. A national economic emergency must be declared, Volcker's Federal Reserve chopped down in its unconstitutional practice, and gold-backed credit provided for the nation's basic industries and agriculture:

Reported LaRouche:

"There is no need for this depression. By a few simple actions which I would take within the hour I were inaugurated President . . . I would set into motion the same general economic recovery which Roosevelt accomplished during the period between 1939 and 1943. If President Reagan would drop his silly Milton Friedman ideologies . . . he could do the same thing right now.

"The measures to be taken are basically these:

"1) Reverse the stupid decision which Nixon made back in August 1971, and put the U.S. dollar back on a gold-reserve basis, pricing monetary gold at about $750 an ounce.

"2) Suspend the authority of the Federal Reserve to create and issue currency, and also its power to set interest-rates arbitrarily, or to operate an inflationary 'Keynesian multiplier' in the banking system.

"3) Submit an emergency bill to Congress, to authorize issue of $500 billions of gold-reserve dollars, to be loaned to private banks at between 2% and 4% interest rates, using these loans for investments in basic economic infrastructure, in agriculture, in industry, and for export-financing.

"4) Meet with our friends in Latin American governments to negotiate restructuring the Latin American debts on terms to which leading forces of that continent have already agreed, and, at the same time negotiate trade-agreements which would create more than a million new jobs in the United States through those capital-goods exports.

"With these basic measures, the United States would be truly on the road to economic recovery—not poor President Reagan's fake, Hoover-style recovery."

Now, as Britain's Mrs. Margaret Thatcher has admitted publicly that she lied to President Reagan during her February visit to the U.S.A., and as the illusions of a growing "U.S.economic recovery" are discredited by the newly erupted crises of the dollar, some are whispering nervously, "Do you suppose that LaRouche has been right all along?"

The present international run against the dollar might be temporary, *EIR* analysts have emphasized. Even under the Carter administration's monetary and economic policies, which President Reagan has continued to support since spring of 1981, the deflationary collapse of the dollar which erupted on March 18 could be reversed temporarily by technical measures. If Paul Volcker and Donald Regan continue their present policies, a deep collapse of the dollar is almost certain, of course; however, even without breaking with IMF policies, the Reagan administration could reverse the collapse temporarily, by choosing measures which will set off a new round of hyperinflation in international exchange-markets.

But the political moves by the BIS and the IMF of the last days now indicate that the decision has been made to unleash the crisis against the U.S. dollar, and the United States.