Senators join the anti-Volcker revolt

by Barbara Dreyfuss

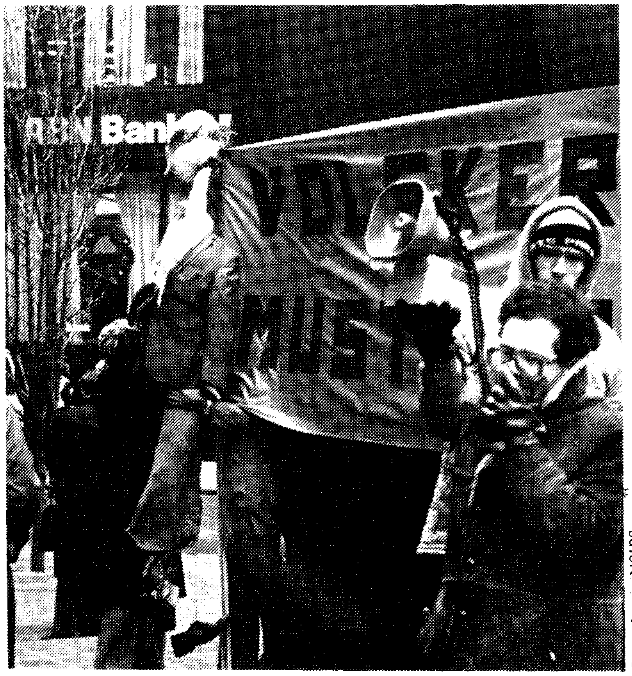
Declaring that the Federal Reserve's interest rate policy is "shoving us back into a recession," Sen. James Sasser, Democrat of Tennessee, introduced a resolution into the U.S. Senate Dec. 13 directing the Federal Reserve to lower interest rates. The resolution further directs the appropriate Senate committees to investigate "the steps that are required to provide a more stable and growth-oriented monetary system that ensures adequate credit supply to hard-pressed economic sectors while reducing the speculative and intrinsically inflationary pressures which now characterize the financial sector." The resolution was cosponsored by 10 other Democratic Senators representing states from the industrial heartland of Ohio and Michigan to the farmland states like Nebraska. The senators are: Randolph (W. Va.), Bumpers (Ark.), Exon (Neb.), Melcher (Mont.), Boren (Okla.), Huddleston (Ky.), Ford (Ky.), Baucus (Mont.), Levin (Mich.), Metzenbaum (Ohio).

Over the past two weeks a number of senators and congressmen, including House Majority leader Jim Wright (D-Tex.) have made individual statements criticizing the Federal Reserve's policies, and even demanding the ouster of Federal Reserve Chairman Paul Volcker. The Senate resolution is the first recent effort to apply the pressure of the entire Senate against the Fed. "The responsibility for sound monetary policy rests with the Congress," declared Senator Sasser. "The American people do not expect us to sit idly by while our economy falters and stumbles."

With Congress adjourning only three days after they introduced the resolution, the 11 Senators did not in fact anticipate action from the lame-duck session. They decided to act now, however, so that the resolution and the issue of the Federal Reserve's policies will be the first agenda item when the new Congress convenes Jan. 5, 1981. "We did this because it gives us a talking point for the new Congress," declared an aide to one senator. "This can't keep going on."

The Senate warnings were echoed from the House this week, when Rep. Henry Nowak (D-N.Y.), chairman of the Small Business Subcommittee on Access to Equity Capital and Business Opportunities, declared Dec. 11 that "soaring interest rates are once again stifling the creativity and lifeblood of our small business community." Nowak warned in a letter to Paul Volcker that if the prime interest-rate hikes, which reached an all-time high Dec. 16 of 21 percent, continued it "will stifle small business, injuring that sector of our economy which creates jobs and develops the innovations we most desperately need for an increase in productivity today." He demanded that the Federal Reserve immediately act to lower the cost of money for small business, saying that hearings, which his subcommittee held earlier this year "reinforced our belief that small firms bear the brunt of tight-money policies." Nowak's subcommittee had reported that individual business bankruptcies rose "an incredible 88 percent" during the 1980 fiscal year because of high interest rates!

Sen. Jake Garn (R-Utah), incoming chairman of the Senate Banking Committee, in early December denounced the Federal Reserve's high interest-rate policy for "killing the automobile industry right now." Garn



Stuart Lewis/NSIPS

EIR *Economics Editor David Goldman (r) at a Dec. 19 New York rally.*

also told the *Journal of Commerce* Dec. 12 that the Fed policy is "going to put some really very substantial home builders out of business."

Fed chief Volcker also came under severe attack from Sen. David Boren (D-Okla.), who said that a continuation of the Volcker high interest-rate policy "amounts to economic insanity."

These were the first recent public attacks on the Fed chief from the Senate. The first week in December, over half a dozen Congressmen, including House Majority Leader Jim Wright (D-Tex.) and Chief Deputy Whip Bill Alexander (D-Ark.), went on record against the Volcker policy.

Grassroots pressure

Congressmen and senators have been responding to tremendous rage from their constituents over the staggering interest rates. With the prime rate now at its highest ever, 21 percent, and still climbing, farmers have been unable to meet payments, businessmen have been forced into bankruptcy, nobody can build or buy houses. "We are being inundated with calls," declared at aide to Sen. Wendell Ford (R-Ky.), one of the cosponsors of the resolution. "They view the high interest rates as causing inflation. People are calling who want to buy or to build homes. They are farmers. We had letters from bankers and people on fixed incomes. One shopping-center developer called and said a company was going to open in Kentucky but couldn't because of the interest rates and that this cost our state 40,000 to 50,000 jobs."

Former Democratic presidential candidate Lyndon LaRouche, now chairman of the advisory board of the National Democratic Policy Committee, has called for a national demonstration of 10,000 strong in Washington, D.C. on Jan. 27 to force Congress and the new Reagan administration to oust Paul Volcker. The rally will demand lower interest rates and credit for industrial and agricultural investment. The policy committee is organizing all its networks for the rally and plans initial rallies Jan. 13-14 at a number of regional Federal Reserve buildings. LaRaouche said the rallies' slogan should be "Hang Volcker from the Sour Apple Tree," a reference to the famous Civil War slogan against the traitor Jefferson Davis, the president of the Confederacy who openly sought the destruction of the U.S. as a unified, industrial nation.

Over the past weekend over 200 leaders of constituency groups, representing several thousand farmers, unionists, and businessmen, met in Los Angeles, Baltimore, and Detroit to hear NDPC leaders, trade union leaders, and farm leaders discuss the economic crisis caused by the Federal Reserve chairman's policies and to plan action for the national rally. Telegrams were sent to elected officials and union leaders supporting demonstrations against Volcker.

Farmers denounce Volcker

Constituency pressure to reverse the high interest rates has been building since the American electorate overwhelmingly rejected the economic policies of the Fed and the Carter administration in the Nov. 4 election. Perhaps the most vocal have been American farmers, who, already staggering under enormous debt have been going bankrupt at frightening rates. Over the weekend of Dec. 13-14, 2,000 delegates of the American Agriculture Movement, meeting in Denver, voted to oust Paul Volcker from his job. Three days earlier, AAM President Marvin Meek had declared, "It is evident that the present agricultural policies of this nation are a disaster when the mere presence of Russian troops along the Polish border, combined with our asinine Federal Reserve policy of outrageous interest rates, can totally destroy commodity markets and agricultural prices. This chaotic situation is a direct result of Carter's agricultural and economic policies, combined with the high interest policies of the Federal Reserve. Therefore the American Agriculture Movement is demanding the immediate resignation of Federal Reserve Chairman Paul Volcker."

Earlier in the week the Alabama Farm Bureau also voted up a resolution against Volcker. In demanding the firing of the Fed chief, the President of the Alabama Farm Bureau Goodwin Myrick declared, "If Volcker is not removed he'll bankrupt this country. Alabama farmers shudder to think of beginning this next crop year with interest rates at 19 percent or more. A combination of high production costs and rising interest rates is disastrous for farmers."

Almost simultaneously the North Carolina Farm Bureau demanded that "the Federal Reserve System be brought more into line with the wishes and thinking of the U.S. Congress."

The Maryland Farm Bureau meeting during the same time passed a demand for lower interest rates after hearing an AAM spokesman address their convention.

Labor opposes Volcker

Labor union leaders have added their voice to that of farmers in demanding that Volcker be ousted. Most outspoken so far have been leaders of the United Autoworkers, which already has one-third of its members laid off thanks to plummeting auto sales caused by the high interest rates. Meeting in Milwaukee, Wisconsin Dec. 11, leaders of the UAW Subcouncil 9 endorsed a three-part motion to the union's international executive in Detroit. The statement demanded that the union call for Volcker's immediate resignation; that the union undertake a one-day shutdown of all UAW-organized production lines and shops to protest Volcker's policies; and that the union organize a picket line against the Fed chairman outside the Federal Reserve building in Washington, D.C. The measure was proposed by John McCarrell, president of the United Autoworkers local 544 in West Mifflin, Pa. "The working man is fed up. . . . Everyone is blamed for recession and inflation when the real problem is the high interest rates set by Paul Volcker," McCarrell told the Pittsburgh press. Telegrams of support for McCarrell's resolution have come from numerous United Steelworkers, United Autoworkers, and Oil, Atomic and Chemical Workers officials in Pennsylvania. McCarrell also received a telegram of support for his resolution from several trade-union executives and a former congressman from New Jersey. "Such action is long overdue . . . before industries in America die," declared the telegram signed by former Rep. Henry Helstocki, James Altemus, vice-president UAW local 300, Ellsworth Beck, president United Steelworkers local 8195, Frank Vittorio, secretary-treasurer Ironmolders local 88, and James Kostibus, secretary-treasurer, Locomotive Engineers Division 5. They also endorsed the Federal Reserve Reform Act bill proposed by Lyndon LaRouche to ensure that the Fed issues adequate credit for real industrial and agricultural expansion.

California labor officials have also been active against the Federal Reserve, with three executives, including the president of a Painters District Council, signing a resolution against the Fed chairman. In Louisiana, representatives of the AFL-CIO and the AAM there convened a conference on "Parity, Protection, and Policy." The meeting endorsed a resolution for lower interest rates and "formation of a labor/farm committee to define policy for the Reagan administration."

Local legislative bodies act

It is this outcry against the tight-money policies of the Federal Reserve which is impelling congressmen to speak out against the Federal Reserve, and also causing important action by local legislative bodies. During the second week in December, the New Jersey House of Representatives passed a resolution to the U.S. Congress demanding the ouster of the Fed chairman. The New Jersey Senate is expected to follow suit in January. Also in New Jersey, the Newark City Council voted 9 to 1 to back a demand for lower interest rates. One day following the Los Angeles NDPC meeting, California State Sen. Bruce Young, vice-chairman of the Finance Committee, introduced a resolution very similar to the New Jersey one, denouncing Paul Volcker. Similar resolutions are expected to be introduced into state legislatures all over the country soon.

Senator James Sasser motivates the resolution

"Since October 1979 the Federal Reserve Board has embarked on a misguided crusade to end inflation by relying on a tight-money policy. And while the Federal Reserve Board should follow monetary policies that can moderate inflation, the Federal Reserve Board must understand that inflation cannot be halted through monetary policy alone. . . .

"In the homebuilding industry the devastation has been incredible. . . . This year because of soaring interest rates, we may build only 1.2 million units—a shortfall of 1.1 million units. . . .

"This year over 2,100 automobile dealerships will go out of business, a rate nearly triple that for the period from 1975 through 1978. . . .

"And through all this have we reduced inflation? Have we slowed down the demand for credit? No, we have not.

"Mr. President we simply cannot continue to follow the Federal Reserve Board's high interest polices. We must not be cowed or intimidated by those who say that the Fed can bring down inflation if only we can leave it alone. The Fed's interest-rate policies are not working and we must recognize that fact and act accordingly.

"I, for one, do not plan to stand idly by during this interest-rate crisis.

"Consequently, I am today submitting the resolution which is cosponsored by Senators Randolph (W.Va.), Bumpers (Ark.), Exon (Neb.), Melcher (Mont.), Boren (Okla.), Huddleston (Ky.), Ford (Ky.), Baucus (Mont.), Levin (Mich.), and Metzenbaum (Ohio).

"In summary this resolution would:

"Direct the Federal Reserve Board to take appropriate actions to hold down the prime rate and to reduce interest rates as soon as possible;

"Direct the Federal Reserve Board to abandon its present approach of managing the money supply by means of meeting general monetary aggregate targets as announced in October 1979, and to restore traditional financial constraints such as federal interest-rate targets, and stronger reserve and margin requirements on borrowing;

"Direct the Congress to have the Federal Reserve Board through its Board of Governors rather than the Open Market Committee, set national monetary policy;

"Further direct the Congress to broaden the membership of the Federal Reserve Board of Governors in order to include representation of a wider spectrum of the economic community and;

"Finally, to direct the Senate, through its established committees to undertake a thorough investigation of the steps that are required to provide a more stable and growth-oriented monetary system that ensures adequate credit supply to hard-pressed economic sectors while reducing the speculative and intrinsically inflationary pressures which now characterize the financial sector."

AFL-CIO's Lane Kirkland strikes a new posture

AFL-CIO President Lane Kirkland surprised some people Dec. 10 when he suddenly decided to scrap a tough cold-war speech on the Polish crisis. Instead Kirkland told a Jewish Labor Committee audience in New York City that the Federal Reserve's high interest-rate policy "has destroyed more homes over the past than were destroyed in the firebombing raids over Tokyo during World War II."

Earlier that day, Kirkland had delivered a similar uncharacteristic attack on the Federal Reserve in testimony before the Joint Economic Committee of Congress: "I cannot think of a single thing more destructive than raising interest rates. It is cheap capital and cheap energy that have made this country great. . . . Reindustrialization cannot be consistent with tight money."

The AFL-CIO president's remarks mimic the policy declarations made by Lyndon H. LaRouche, Jr., the former Democratic presidential candidate and current chairman of the advisory board of the National Democratic Policy Committee. The decision to have Kirkland ape LaRouche, sources report, was made at the Dec. 5-7 meeting of "Eurosocialists" in Washington, D.C. The leaders of the Social Democracy and their American operatives like Lane Kirkland, who was not himself present at the event, concluded that they must make some attempt to coopt the mass uprising against Federal Reserve Chairman Paul Volcker's policies set in motion by LaRouche and his allies among members of both parties.

In addition, avid support for labor-intensive projects such as the synthetic fuels boondoggle were prominent in both Kirkland speeches.

AFL-CIO sources say privately that Kirkland has himself been meeting with Volcker to plan a post-collapse economic policy. Both Kirkland and Volcker are reportedly in agreement that rigid credit control should be slapped on the economy, that the Federal Reserve should hike its discount rate to further choke off lending and that an equality-of-sacrifice "incomes policy" be used to control wages and prices.

"Lane does not think that Volcker is the problem," said one source. "The real problem is that there is no consensus for credit controls. This will take time to build."

The AFL-CIO leadership will therefore make a great deal of noise about interest rates—as Kirkland did this week. But an AFL-CIO spokesman close to Kirkland said that "the federation will not act on anything concrete until the situation gets much worse."

"By late spring," he commented, "there will be ten million unemployed. At that point the crisis will hit everybody in the face, and we will get our controls."

Kirkland and his social-democratic friends plan to blame the collapse not on Volcker, but on Ronald Reagan. "If Reagan doesn't go along with our program," said a Kirkland aide, "he will get hit from all sides. We will box him in."

The AFL-CIO president reportedly feels "at ease" with the Federal Reserve chairman. They know each other from their common membership on such bodies as the Trilateral Commission and the New York Council on Foreign Relations. In his speeches attacking the Federal Reserve, Lane Kirkland never mentioned Paul Volcker's name.