How Volcker is manipulating the President and Congress

by Lonnie Wolfe

Congressional sources have revealed how Federal Reserve Chairman Paul Volcker and the Swiss gnomes of the Bank for International Settlements (BIS) plan to blackmail and manipulate the White House and the U.S. Congress to secure passage of bailout funding for the International Monetary Fund.

The bailout, in the form of a new 47.5 percent quota increase approved in mid-February by the IMF Interim Committee, was the subject of a series of Senate hearings the week of Feb. 14–19, featuring Volcker, Treasury Secretary Donald Regan, and Secretary of State George Shultz. Should it be approved, the United States would be forced to deposit an additional $8 billion with the near-empty IMF.

The proposed bailout is only one feature of the BIS-IMF program for the United States. If the Swiss gnomes and IMF director Jacques de Larosière have their way, the United States will be treated like the proverbial banana republic, with its economy placed under de facto IMF dictatorship. This would mean drastic cuts in the U.S. budget, including national-security-threatening slashes in the defense budget and destructive reductions in entitlement programs. The allocation of all credit for both the domestic economy and for international lending would be strictly regulated through the Fed, acting as the IMF's domestic enforcer. This scheme was the subject of private-corridor discussions at the recent IMF Interim Committee meeting which was held in Washington, D.C.

The assessment of Volcker and his co-conspirators is that the IMF dictatorship plan must be low-keyed for the time being. The White House is not prepared to go along with it, nor is Congress, who might provoke lynch mobs of constituents if they tried. Congressional sources say that Volcker is applying the squeeze on Congress and the White House for the minimum program—the IMF quota increase.

Volcker went to the Oval Office to meet with President Reagan on Feb. 11 the Federal Reserve chairman reportedly repeated a threat he has made several times in the past, namely that unless the administration secures the IMF quota increase and demonstrates U.S. fealty to the international financial order, Volcker will be forced to hike interest rates and destroy what remains of the economy. Conversely, Volcker played on the fantasy-ridden expectations within administration circles of a recovery, telling the President that should the quota increase be secured, the Fed would be able to keep interest rates low.

The Fed chairman is also reported to have advised the President that he should seek a compromise with Congress to cut the budget deficit, repeating that unless the deficit were reduced, he might be forced to hike interest rates with disastrous effects.

Aides close to the Democratic leadership attribute the administration's sudden compromise on a jobs bill to the Volcker threat and maneuvering by Volcker-allies such as White House Chief of Staff James Baker III. The Fed chairman meanwhile delivered rhetorically on his side of the "deal," leaking word that the Fed would continue its efforts to prevent an upward jolt in interest rates. The word rhetorical is to be stressed here—Volcker, sources on Capitol Hill say, is making no promises about interest rates.

With administration support for the quota increase secured, a rigged debate was set up in Congress. The purpose of this debate, stage-managed by such BIS operatives as Sen. Bill Bradley (D-N.J.) and House Banking Committee Chairman Fernand St. Germain (D-R.I.), is to push through the quota increases and attach to it pieces of the BIS program for complete control over U.S. credit allocation under the label of provisions curbing the big U.S. banks and limiting the scope of the bailout.

Under this perverse scheme, the Congress will lead the United States toward an IMF-BIS dictatorship, pressuring the White House to go along. In order to play this game out, the players must be tightly controlled. The various congressional committees, all supervised by BIS operatives, have therefore decided to exclude testimony against the bailout from the outspoken IMF critic, Volcker's leading enemy in the United States, economist Lyndon H. LaRouche, Jr, and the National Democratic Policy Committee.

'The U.S. is like a bank'

Thus far the hearings are following the IMF-BIS script. Donald Regan and George Shultz have repeated the Volcker lie that the U.S. economy will collapse without the IMF quota increase, since the developing sector will be forced into defaulting.

Shultz, whose State Department is on record as supporting the work of the illegal creditors' cartel of private banks, the Ditchley Group, told the Senate Banking Committee that the "so-called debt bomb can be defused through emergency short-term financing leading to adjustment programs implemented in conjunction with the IMF and in cooperation with central banks. . . ."

"The United States," said the Secretary of State, "has as much a character as a bank as of a country."

Both Shultz and Regan relayed the lie that the IMF's policies save American jobs and that the quota increase was a massive "jobs bill." According to their fallacious arguments, originated by Shultz' patrons at Morgan Guaranty, IMF loans to the underdeveloped countries prop up their economies, enabling them to purchase American goods. Regan told the Senate Banking Committee that Americans stood to lose at least 500,000 jobs without the quota increase! What Shultz and Regan expected Congress to ignore the fact of the IMF conditionalities, which specifically impose brutal import cuts on debtors. U.S. exports of agricultural machinery, capital goods, and farm products have been most affected.

The administration spokesmen, while warning of the dire consequences of congressional failure to support the bailout, were careful to restrain themselves from talking about greater IMF powers over the United States, though both Shultz and Regan are known to privately endorse such ideas, according various banking sources.

Instead, it was the Congress which, following the Volcker-BIS script, treacherously screamed for greater cuts in lending to the developing sector and tighter control over U.S. credit. They spoke more like accountants for central bankers than elected representatives of the American people. While the various senators acknowledged intense constituency opposition to the bailout, all declared their support for the IMF as an institution.

Senator John Heinz (R-Pa.), a fixture on the banking committee installed by the Morgan-allied Mellon banking interests, called the IMF quota increase essential, arguing that the new funds must "not finance a continuation of the overly expansionary economic activity of the developing sector. . . . I am drafting legislation to . . . impose discipline and limits on commercial bank lending to the developing sector." The Heinz legislation will parallel a bill drafted by Bill Bradley and Rep. Charles Schumer (D-N.Y.) that demands classification of existing bank loans, restriction of new loans, and a scheme as recommended by financier Felix Rohatyn, an exchange of short-term loans for longer-term paper guaranteed by the Federal Reserve. (See article, page 15.)

Arguing for the domestic side of the IMF's austerity demands, ranking banking committee Democrat William Proxmire (Wis.) added: "I just want to cite the comments of IMF director Jacques de Larosière, that the U.S. budget deficit is the greatest danger to international economic security."

Senator Mack Mattingly (R-Ga.), coming from the "right-wing" side of the controlled debate, demanded even stricter terms for the IMF loan conditionalities which have enforced genocide against the developing sector: "Can't we use conditionalities to reduce trade barriers and export subsidies in Third World countries. . . . We have to strengthen the hand of the free traders of the world, and we ought to strenghten those conditionalities." Senator Paul Sarbanes (D-Md.), a self-proclaimed liberal, asked Shultz in the Senate Foreign Relations Committee, "Shouldn't the IMF increase be coupled with some assurances that this situation won't happen again? What about requiring the private bank loans to governments be submitted for comment and review by the IMF?"

As this script was being played on Capitol Hill, the White House and the President were delivered another bromide, this time by Rep. Jack Kemp (R-N.Y.). This pet of the Swiss gnomes, who has been given the "true believer in supply-side economics" profile, marched into the Oval Office Feb. 14, accompanied by other true believers such as Reps. Jerry Lewis (R.-Calif.) and Mickey Edwards (R.-Okla.), to protest Reagan's capitulation to the IMF. The IMF is bankrupt, said Kemp in one of his occasional utterances of truth. No further funds should be placed in the IMF, the ex-football player demanded, until there is a commitment to create a "new Bretton Woods" monetary system, the code-word for the plans of the esteemed gentlemen in Switzerland.

Kemp's aides report that he does not think that "his" plan will be approved now and that Reagan rejected it—for the time being.

Neither the President nor the majority of the Congress really understands what is being put in place before their eyes.