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March financial war on U.S. has begun

by Chris White

The March financial offensive against the Reagan administration opened this past Feb. 27 when coordinated dumping by especially European central banks sent the U.S. currency tumbling. From a record high against the deutschemark of 3.4780, the dollar collapsed at one point to almost 3.18. The intervention brought the dollar lower in one day than had even been achieved last Sept. 21 during the International Monetary Fund meeting, when European central bankers were warning that the dollar's rise had to be stopped, or in mid-January, after the IMF's Group of 5 meeting in Washington, D.C.

It is, perhaps, too much to expect that a mere one-day tumble in the dollar rate, however sharp, will dispel some of the deep-seated illusions that fill the heads of economic policymakers in Washington. However, the time left for those heads to clear is running out, and rapidly.

The central bankers' coordinated dollar dumping is a warning of what's in store over the month of March, and into the spring, and what is at stake is the sovereignty of the United States.

In the prevailing Washington wisdom, the dollar's strength is attributed to the strength of the so-called economic recovery. This view, pumped into the President by his economic-policy briefers like Donald Regan, from the Crédit Suisse and White Weld connected Merrill Lynch, argues that other currencies are weak relative to the dollar because they haven't had the full benefits of the recovery yet.

As is well known, what is called the U.S. recovery was nothing but a typical financiers' swindle. For the last three years, the United States has been turned into a gigantic vacuum cleaner sucking in funds from all over the world. The "recovery" was financed out of the flesh and bones of the rest of the world. It is sufficient to cite the continuing growth in the budget deficit over that period, and also the growth of the trade deficit. The dollar was artificially jacked up to cover the collapse of the United States' economy by forcing the rest of the world to pay.

In whole categories of U.S. physical production of goods, there was a catastrophic collapse, accelerating in the years 1981-82, to levels half of what prevailed in the early 1970s. This includes producer goods, such as machine-tools, machinery for other branches of production, and finished capital goods, such as locomotives, bulldozers and railroad freight cars.

Auto production fell from 12 million units annually in 1972 to 5 million in 1982—and auto was not the worst. Steel led the way, collapsing from over 200 million tons per annum in 1972 to 100 by 1982, and then continuing on down.

Here, agencies of the U.S. government, if they were doing their job, should compare the production numbers which they themselves have, with the Gross National Product, dollar, or index values for the same categories of production.

To cover internal collapse, the U.S. economy was turned into a parasite on the rest of the world. In the process, as this magazine has stressed repeatedly, to maintain solvency and the apparent integrity of its credit and financial institutions, the United States became first a net importer of capital, for the first time in this century, dependent on a constantly increasing flow of externally originating funds. Then, over the last year, the United States became a net debtor nation. Its obligations overseas exceeded what was owed it.

Internally, we are told, we got inflation under control. But while the dollar reaches 15-year highs against the deutschemark on foreign exchange markets, one U.S. dollar commands in a U.S. supermarket exactly what one deutschemark commands in a West German supermarket. That's inflation.

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This is a pattern familiar to those who have studied cycles of national and state bankruptcies in the modern as well as ancient periods. The United States and its dollar are bankrupt, and will therefore be reorganized. The question is, on whose terms? That is what is implied in the warning shot the representatives of America's creditors, namely the combined central banks of Europe, fired off last week.

Stubborn mules and worse

There are those, some stubborn mules, others worse, who argue that such a view is crisis-mongering, is seeking to create a crisis that isn't there. They look forward to a decade of expanding trade deficits, to the dollar rising above 4.00 to the deutschemark.

The reality is that they were given the rope to hang themselves back in 1982. That was when they bought the nonsense about the "recovery" in the first place, to gutlessly avoid a fight with Paul Volcker, and his central banker friends, on the question of who controls international financial and economic policy, the sovereign government, or the international financial institutions like the privately owned central bankers' club, the Bank for International Settlements, and its collection agency, the International Monetary Fund.

Before that point, and after that point, the threat of what is known in some circles as "a financial fire-storm," of the sort portended by Feb. 27's tumbling dollar, has been enough to force the administration into capitulations, which are called "accommodations and compromises," with the cited international financial institutions. Those who argue against what they call "the crisis-mongerers," are either once again avoiding a fight that has to be carried out if the nation is to survive, or worse.

In parallel with the Russians

Since the first Reagan administration took office, the International Monetary Fund has campaigned vociferously for cuts in the United States budget deficit, including especially defense. They have done this on behalf of the central bankers who went into action at the end of February.

High officials of the International Monetary fund have not been ashamed to speak of the need to cut back on overseas basing arrangements for U.S. troops, while, at the same time, the Russians have funded and backed political movements for the closure of the same bases. The peace movement, so-called, in Europe is exemplary, as is what has been going on in the Philippines and elsewhere in Asia.

They have regularly campaigned against particular U.S. weapons systems, such as the MX missile. Again their efforts on behalf of "financial discipline and rigor," have paralleled Russian political campaigns to the same effect. They have opposed, and do oppose, the President's Strategic Defense Initiative, not merely on the grounds of cost, not merely as a military hardware system, but because of the scientific and technological revolution which is implicit in the program. And so do the Russians.

According to participants in last fall's international conference of the International Monetary Fund, which put the question of both the U.S. dollar and the U.S. budget deficit high on its agenda, what was discussed at that time was a plan to force the capitulation of the United States to IMF demands over the course of this spring. They anticipated at that time an international financial crisis, to erupt this March to help their effort. U.S. vulnerability to such manipulations has been established since the policy swindles of 1982.

From Jan. 15 through 17, representatives of the same institutions met again in Washington, as the IMF's Group of 5, to again review their agenda. As in the previous fall's meeting, the dollar and the U.S. budget deficit took highest place on the agenda. Both meetings were acting on the expectation that U.S. policy could be changed before the upcoming meeting of the IMF Interim Committee in Washington April 16. The meeting of the Interim Committee will involve a broad review of questions pertaining to international indebtedness and the dollar.

The European central bankers' coordinated dollar dumping on Feb. 27 is a warning of what's in store over the month of March, and into the spring.

The January meeting announced plans to "rein in the dollar." Within the next week, the European central bankers took their first coordinated steps to do just that. And now, as we enter March, the month that had been slated for the crisis to force Reagan into line with their policy, they have acted again. This time more forcefully.

Henry Kissinger, himself an over-paid employee of Goldman Sachs in New York, was involved in last fall's discussions. His friends, like former State Department official Robert Hormats, now with the same Goldman Sachs, are saying, "The Europeans banded together, and decided it was the right time to hit the market. What's impressive is not so much the volume of intervention, but the fact that they worked together. Unity has a considerably greater effect than any of them working alone. . . . What had been a one-way speculative market was really a two-way street."

Hormats' "Europe" is not the Europe which supports the Strategic Defense Initiative; it's the Europe of the old oligarchical opponents of that policy, acting through the financial insititutions they control. It's about time again for the republic to show it knows how to deal with such opposition, and not just in Boston.