Clinton's honeymoon with the markets is over

by Chris White

When Bob Dole, Phil Gramm, and their friends on the Democratic side of the aisle sank the Clinton "economic stimulus" package late last month, their action brought to an end the new administration's brief honeymoon with the international money markets. Flaunting their new-found muscle, like some pumped-up, well-oiled body builder, they ought to be more mindful of the medical consequences of steroid use. He who sows the wind, reaps the whirlwind.

Clinton's money market honeymoon was consummated in the bond markets. It began on Nov. 8, and it ended on April 22, when Dole and company buried the stimulus package. The bond market rally, with interest rates on long-term U.S. government paper coming down to all-time lows by late February early March, and nearing those lows again in the second week of April, was supposed to portend an open-ended perspective of lower interest rates, lower inflation, more mortgage refinancing, and more housing construction—all elements idiotically assumed to be vital in promoting an upturn in so-called "consumer confidence." On the back of the bond rally, the Dow-Jones continued to rise to its recent all-time highs. And all those are supposed to be the vital signs of the recovery in progress.

All this was always complete codswallop anyway: There never was any recovery going on in the first place. The last place anyone in their right mind would look for evidence that there was, is the financial markets, whether in the U.S., or anywhere else in the world for that matter. What there was, was a bond market-driven speculative boomlet, money breeding more money, before the realization hit that unless fundamental changes are made, Clinton's public budget and economic plans are only what they always have been: dead meat for the scavengers in the marketplace. There, Dole, Gramm, and company are among the pack of jackals and hyenas, whose presence signals the coming of the killers.

For they say—as Newt Gingrich did, with different words, for the House Republicans after the Senate voted—"Clinton, we killed your stimulus package, and we will kill again with anything else you put before us. If you want your budget, if you want your health care reform, you must deal with us."

The "us" in this case is something broader than the Republican caucuses in the House and Senate. Look what else bubbled up to the surface, just one day after the Republicans killed the package: none other than George Soros, Jimmy Goldsmith, James Rothschild, and the crew which made multibillion-dollar windfalls in their speculative assault on the European Monetary System last fall.

On April 23, Soros is reported to have paid $650 million for shares in a gold-mining company, Homestake, held by Jimmy Goldsmith's General Oriental. Goldsmith is then supposed to have turned around and used some $400 million of the proceeds to purchase options in gold. As Clinton appeared before the press corps during lunchtime that same day, to address what had happened the day before in the Senate, the price of gold leaped $6 per ounce on the market. Goldsmith's collaborator Soros, it was reported April 27, had gone short on U.S. government bonds via another options purchase. Those who used the leverage of "derivatives" to wreck the European Monetary System last fall, now appear to be turning the same weapons against the speculative bubble they helped to develop in the United States.

That, at any rate, is the current scuttlebutt in the markets; but it is not only that. It is also publicly reported in the pages of European newspapers like the London *Financial Times*, which devoted three articles on April 27 to Soros and Goldsmith's latest dirty games. Indeed, their current activities are also known to be of some concern to the Clinton Treasury Department, which is in the throes of organizing the upcoming quarterly auction of U.S. government debt.

Going short on the government's bonds, means betting that their price will fall, and their interest yield rise. That indeed did begin to happen during the time from the Republican vote on April 22, up to April 27, when reports surfaced about what Soros and company were supposed to be doing. Over that time, the yield on the 30-year bonds increased from around 6.7% to over 6.8%. And that can be presumed to be just the beginning.

It is not the first time that Soros, Goldsmith, and their backers, who include Citibank, have played this one-two routine with the whited sepulchres of supposed financial orthodoxy among the political representatives of the myths of the "magic of the marketplace" in the House and Senate.

Soros fronted for the combination last fall with an assault on Europe's financial viability. It was the U.S. free marketeers who insisted that the turmoil in Europe was of no concern to the United States, and that the U.S. could only benefit from it.

Soros also fronted for the same combination in Eastern Europe and Russia, beginning even before the fall of the Berlin Wall in November 1989. Soros is said to have set up, in Hungary, channels employed by Russia's Communists to smuggle out ill-gotten financial gains, through holding companies in Budapest to shelters in Switzerland and Gibraltar.

Together with the Reichmanns of Toronto, Andrew Sarlos, and Henry Kissinger's protégé Mark Palmer, Soros was a principal in the Thatcherite looting operation which wrecked the potential of 1989 in eastern Europe and Russia through the promotion of privatization swindles and outright speculative asset stripping. He is now promoting a so-called a dollarized "safety net" for Russian social welfare programs—a deal which would finish off the ruble as a national currency. This is the political operation which was headed by President George Bush, Prime Minister Margaret Thatcher, and Henry Kissinger, and is what the International Monetary Fund-sponsored "shock therapy" actually represents.

The economy-killers

Goldsmith was one of the unindicted co-conspirators in the leveraged buy-out binge of the 1980s. His holdings in Homestake were purchased from his fellow Thatcherite Lord Hanson, who, like Goldsmith, bought up cheap U.S. assets which had been bankrupted by Federal Reserve Chairman Paul Volcker's high interest rate policies of the late 1970s. He then used the spread between bankrupt share prices and the book value of nominal assets to promote the later leveraged buy-out binge. Debt taken on to finance purchases of equity was supposed to be paid down by liquidating assets of taken-over corporations at higher prices.

Goldsmith's attempted buy-out of Goodyear Tire and Rubber promoted a congressional investigation and hearings into leveraged buy-outs. That attempt, at least, was stopped. Goldsmith was also a member of the Project Democracy-sponsored Public Diplomacy section of the Reagan National Security Council, which was used to coordinate press smears and slander campaigns against economist Lyndon LaRouche. The Soros-Goldsmith financial political operation is co-extensive with the mobsters at the Anti-Defamation League of B'nai B'rith.

In short, this is the operation which has been responsible for the bankrupt wreckage the U.S. has become, especially since 1979, when Jimmy Carter appointed Trilateral Commission member Paul Volcker to head the Federal Reserve.

From the European side, market insiders have been warning, since before Clinton's inauguration, that everything would be in place by the end of April for a new round of market turmoil. On cue, Dole and Gramm set the political scenery for the operation which Soros and Goldsmith had launched.

Around the same time, Lyndon LaRouche warned the incoming Clinton administration that unless it was prepared to clean up the financial bubble that had been caused by trading in derivatives, nothing that it proposed, financially or economically, would work.

Now Soros and Goldsmith are making it clear that that is indeed the case. Their latest shenanigans ought to serve as an object lesson for those who insist that derivatives, like options, have a "proper" place in the so-called markets. They insist that derivatives are a way of hedging "risk." As was proven last fall, derivative trading is a way of shaping the direction "the market" will go, by organizing a stampede in the desired direction. The Senate and House opponents of the Clinton stimulus package were among those assigned to get the stampede rolling, the hucksters who drum up the crowd for the circus.

And that is one of the ways in which those who scream loudest about cutting the deficit, and balancing the budget, contribute to just the opposite, i.e., to *increasing* the budget deficit. In this case, they set the stage for a speculative maneuver to increase interest rates. Higher interes rates increase debt service charges, increase unemployment, reduce tax revenues, and increase the deficit.

All of which would have happened anyway, even without the sinking of the stimulus package. It had already been in the works earlier.

What the budget balancers and the deficit cutters are protecting, is the organization of the flow of credit in the economy. They insist that government not use its lawful power to create money and credit, but instead use its power to underwrite debt and speculation already incurred. They don't want to create credit to put people to work; they want to use the tax revenues to increase the speculative returns of the crowd George Soros represents, no matter what the cost to the country's productive potential.