

Corrupt Fed runs economic warfare to prop up banks

by John Hoefle and Scott Thompson

E. Gerald Corrigan, the long-time president of the Federal Reserve Bank of New York, has resigned from that post and will join the board of the newly created Russian American Enterprise Fund, whose nominal aim is to increase U.S. investment in Russia, but which is actually a vehicle for further American looting of the Russian economy.

In this capacity, Corrigan will be again working with his friend George Soros, who along with his stooge, Harvard professor Jeffrey Sachs, has been the main instrument of U.S. economic warfare against Russia and the nations of the former East bloc.

As head of the New York Fed, which has secretly run Citicorp for the last two and one-half years, Corrigan was responsible for Citicorp's funding of Soros and his Quantum Fund, for which Citicorp is a custodian. Not only did Citicorp fund Soros, but it also participated with him in speculation against European currencies last September.

Corrigan's move demonstrates the utter corruption of U.S. financial and economic policy. Here you have a quasi-public official joining a private operation fronting for economic warfare to destroy the economies of Russia, Europe, and the United States. Having devalued the British pound and the Italian lira, Soros has now publicly stated his intention to sink the German mark.

Corrigan is not the only Fed official involved, either. Federal Reserve Governor Wayne Angell has been working on East bloc economic "reform" for several years, as has Citicorp Vice Chairman H. Onno Ruding, a recent member of the New York Fed's International Capital Markets Committee.

Looting eastern Europe

The corruption involves not only currency manipulation, but also the related manipulation of raw materials prices. Western operators are buying large quantities of cheap Rus-

sian minerals and other commodities, and are dumping them on western markets—in the case of Europe, at about 50% of the price of comparable European products. The result is that cheap Russian labor is replacing more adequately paid western labor, and western companies are going bankrupt. Since most of these minerals are bought with dollars, the result is a huge dollar windfall for the Russians, primarily the *nomenklatura*. The dollar, which was worth about 200 rubles at the beginning of 1992, is now worth more than 1,000 rubles.

An example of how this works is the case of aluminum. Before the Berlin Wall fell, the Soviet Union exported an average of 250,000 metric tons of aluminum each year. This year, the members of the Community of Independent States (CIS) are expected to export 1.2 million tons, some 8% of western production. As a result, the price of aluminum ingot on the London Metal Exchange has dropped from a peak of \$1.65 a pound in June 1988, to around 53¢ a pound today, the lowest price for primary aluminum ever recorded. That means that virtually all of the world's major aluminum producers are losing money. The aluminum industry needs a minimum of 80¢ per pound to cover full costs and invest in new capacity.

The London Metal Exchange aluminum stocks are at a record of nearly 2 million tons, and there is also a substantial supply of off-grade aluminum sitting in western warehouses.

The situation is similar for nickel, where prices are at six-year lows and falling. Prices have fallen to \$2.23 a pound, and AME Mineral Economics expects the price to fall as low as \$2.18 a pound. Nickel sold at \$6 a pound in 1989. At the current price, many of the world's nickel producers are already losing money. New nickel imports from the CIS accounted for 18% of world production in 1991 and 1992, while primary nickel production in the West will fall by

30,000 tons from the 595,000 tons produced in 1992, according to Billiton-Enthoven Metals, a unit of Royal Dutch-Shell.

As a result of these depressed prices, major metals producers are cutting production, shutting down plants, and laying off employees. Inco Ltd., the Toronto-based nickel producer, is cutting production by 40 million tons this year, to 380 million tons. Aluminum Company of America, the Pittsburgh-based aluminum producer, announced June 28 that it would cut its U.S. production by 268,000 tons (nearly 25%) and lay off 750 people in five states. The Alcoa cuts are the biggest by any major producer since 1991, when the increased CIS shipments began. Canada's Alcan is threatening to close its Lynemouth, England smelter, and has closed its Aratú smelter in Brazil.

Rich crooks

Coordinated by the highest levels of Anglo-American finance, these economic warfare operations are being run through the networks of carpetbaggers like George Soros and Marc Rich, both of whom have strong links to the Rothschild interests.

Rich, who fled the United States to Switzerland to avoid charges of income tax evasion, began trading with Russia in the 1980s and today is one of the largest traders, with an estimated \$1.2 billion in deals in that country. In 1991, Rich bought 500,000 tons of Russian aluminum—more than half of its total exports—and dumped them on the western markets, dropping the price on the London Metal Exchange by half. That action triggered strikes in the United States by the AFL-CIO, which demanded his extradition from Switzerland.

Soros is owned by two groups, most immediately by Jacob Rothschild and his cousin Sir James Goldsmith, and also by the Federal Reserve Bank of New York. Alfred Hartmann of the Zug, Switzerland-based Rothschild Continuation, the holding company for N.M. Rothschild of London, is the business partner who connects Soros to Rich.

Citicorp, again

Citicorp, which serves as a custodian for Soros's Quantum Fund and has provided him with lines of credit during his currency speculation, as well as joining him in his speculative raids, is also involved with him in Argentina, where Soros has been making investments through Citicorp Equity Investments.

Soros began his operations in the country in 1990, and in 1991 bought up part of the IRSA real estate investment company. Since then, IRSA has specialized in buying up undervalued properties, remodeling them, and selling them for a bundle. Baring Securities, a subsidiary of Baring Brothers, arranged for IRSA shares to be sold on foreign stock markets, and placed 13 million among its own clients, including Merrill Lynch, Arnold and S. Bleichröder, and others.

When the Argentine branch of Citibank sold its shares in Citicorp Equity Investments (CEI) last year, Soros bought 2% of the shares through his investment funds. It is through CEI that Soros has moved into the purchase of privatized state companies.

CEI has already been involved in several privatizations in Argentina, including of such important companies as Altos Hornos Zapla (owned by the Army), the state-run telephone company, two large gas firms, and many others. Soros himself bought up 1 million shares in YPF, and CEI purchased another 3 million.

H. Onno Ruding, the Citicorp vice chairman in charge of the bank's derivatives dealings, also has close ties to Soros. Ruding, the former Dutch finance minister and chairman of the International Monetary Fund's Interim Committee, spent much of 1990 working with former Federal Reserve Chairman Paul Volcker, George Soros, and Jeffrey Sachs on the restructuring of the Polish, Hungarian, and Czech economies. Ruding and Soros met with Polish Prime Minister Leszek Balcerowicz on this issue.

In his book *Underwriting Democracy*, Soros claims that he and Sachs instituted International Monetary Fund (IMF) "shock therapy" in Poland with the help of Balcerowicz.

Funny money

Meanwhile, the derivatives markets are providing huge profits for the banks. Citicorp reported \$572 million in income from trading in financial markets for the second quarter, compared to \$314 million one year earlier. That broke the quarterly record for U.S. bank trading income set just one week earlier by J.P. Morgan, with \$520 million. Chemical Bank also reported a sharp rise in trading income, which accounted for \$298 million of its \$381 million in profits.

"Citicorp and Chemical had huge trading results, virtually the only source of real revenue strength among money center banks," the *Wall Street Journal* observed on July 21.

Morgan had a trading income of \$989 million for the first six months, compared to a trading income of \$959 million for all of 1992. The bank reported a net profit of \$431 million for the second quarter, and a first-half income of \$726 million.

The "results in the second quarter, like the first, were exceptional," said Morgan chairman Dennis Weatherstone. "Trading performance stood out, with substantial gains in trading of debt instruments and strong results in swaps and other derivative instruments."

Weatherstone led a recent study of derivatives by the Group of 30 financial institutions, which argued against further regulatory oversight, and insisted that the derivatives players should be allowed to police themselves. But Morgan has the regulatory bases covered, too. Former Morgan managing director Douglas Harris, a derivatives specialist, has been appointed senior policy adviser to the U.S. Comptroller of the Currency, which regulates national banks.