The dollarization of the world economy: Who benefits?

The dollar has been globalized by the U.S. Federal Reserve, as the precursor of the strategy now being implemented in the Americas. Thus it is that the New York Federal Reserve, whose new president, William McDonough, was reported at Representative Gonzalez's hearings to have presided over the secret sessions which outlined the real NAFTA financial accords, has authorized Citibank, under Federal Reserve de facto management, to lend to speculator George Soros, to shatter targeted currencies.

Soros's currency warfare can be thought of as invading shock troops, deployed to destroy resistance in the form of national credit. The incoming dollars are the occupying forces which follow the initial shock attacks. This has been the pattern in Ibero-America, in eastern Europe and Russia, in China, and is being directed against western Europe, via the repeated, successive assaults on the European Exchange Rate Mechanism which have been launched since especially the summer of 1992.

Dollarization is the precursor to the kind of arrangements the Federal Reserve and McDonough are overseeing in Mexico.

Dollars leave the United States

Dollars are being shipped out of the United States in record amounts, not only through transactions in the drug trade and illegal economy, but also through the Federal Reserve Bank of New York, in collaboration with the big money center banks, in particular, Citibank, and the organized crime-linked Republic National Bank of New York, of gangster Edmond Safra, bulk-shipping dollars in blue wrappers to requesting "customers," especially in Ibero-America, as we explain below.

The U.S. supply of physical dollar bills is $348 billion. That is, over the years, the Federal Reserve Board has printed and put into circulation, net of call-ins and destruction, this many Federal Reserve notes or physical U.S. dollar bills. Of this $348 billion, $37 billion is kept stored away in the vaults of U.S. banks and the Federal Reserve, as part of their banking reserve, leaving $311 billion in the hands of the public.

Amazingly, of this remaining $311 billion, $190 billion, or a staggering 61%, is no longer inside the United States, but is floating around abroad. That is, nearly two out of every three physical dollar bills are no longer kept in the hands of U.S. citizens: The dollar has been internationalized.

This trend has been increasing at an astronomical rate. In 1984, $80 billion in U.S. physical dollar bills was abroad; thus, the amount of dollars abroad has more than doubled in nine years. During this time span, as a percentage of the total physical dollar supply, the amount in foreign hands has increased from 27% to 61%.

According to a report by a Federal Reserve staff member, $20 billion physical U.S. dollars are in Argentina. Dollar bills constitute 60% of Argentina's internal physical money supply. Dollars are 70% of Bolivia's money supply. Half of all Bolivian bank accounts are denominated in dollars, and many items in Bolivian stores are priced in dollars, or Bolivian citizens make quick mental conversions into dollars for purchases. In Peru, dollars are similarly a huge percentage of the internal money supply. In Panama and Liberia, the dollar is the official currency. In Hong Kong and Honduras, the currencies are pegged to the dollar. In Vietnam, there are $600 million physical dollars, mostly left over from the days when U.S. troops were in Vietnam. The dollar can buy most anything, ranging from real estate to businesses. Physical dollars play a huge role in the Persian Gulf states and in the Balkan nations. These countries, whole parts of the globe, are being "dollarized."

Argentina, which in the 1950s was the showcase economy of Ibero-America and on a productive development level of many European countries, is now a textbook case of a country that has been dollarized. In April 1991, Argentina pegged its currency at parity with the dollar, as part of a stringent anti-inflation policy. It now prints no more pesos than it can back up with dollars, gold, or other convertible reserves. But the variation of this peg is drawn so tight that the peso currency could fall, if there is a dramatic contraction of either dollars or of pesos. This increases Argentina's dependency on dollars even more; it cannot follow a policy that would risk the sudden loss of dollars.

Brazil, now the largest economy in Ibero-America, and the eighth largest in the world, is, according to several financial press reports, considering adopting the Argentine peso-dollar-peg model for its currency, the cruzeiro.

The dollar is also invading Russia. *Business Week* in its Aug. 9 issue stated that there may be as many as $20 billion physical U.S. dollars in Russia. Two Federal Reserve Board researchers working in this area say that that figure is too high, and that the correct figure is probably between $3 and $10 billion, with most dollar bills in the large cities, such as Moscow and St. Petersburg. Let us assume, conservatively, that the amount is $5 billion. Even that figure is astonishing. As a result of the "shock therapy" that was imposed on Russia by the International Monetary Fund and Harvard flea market economist Jeffrey Sachs, the ruble has gone from the exchange rate of 1.5 to the dollar in 1990, to 140 to the dollar in June 1992, to 1,000 to the dollar today. At the last exchange rate, $5 billion has the purchasing power of 5 trillion rubles. That exceeds the official Russian money supply.

This gives tremendous power to the black market operatives and foreign banks and financiers who hold dollars. Real estate and many important entities can be bought in Russia with a combination of physical dollars and bank drafts or some form of banking instrument, which can disrupt and destabilize the entire Russian economy and political system.

On July 24, Russian central bank head Viktor Gerashchenko carried out a monetary reform which called in about 20% of Russian banknotes. Lost in the furor about the monetary reform is the fact that one of the features of Gerashchenko's moves was to ban foreign banks from serving Russian customers. As we shall see, foreign banks are shipping in dollars; thus, a little-observed part of the July 24 reform was to halt the dollarization of Russia.

Dollars are also flooding into China. The invasion of dollars could be one reason for the Chinese government's anti-speculation campaign, though there are undoubtedly others. One of the reasons is that physical dollars are pouring into the so-called economic development zones in southeast China, such as the province of Guandong, the showcase area for the International Monetary Fund's socialist-free enterprise hybrid model. There are at least a few billion physical dollar bills in China, and they trade at a premium. They are buying up real estate. But worse, next April, the Chinese central bank, the Bank of China, will take over the issuance of Hong Kong's currency, the Hong Kong dollar. The Hong Kong dollar trades freely with the U.S. dollar, and is seen, effectively, as a unit of the U.S. dollar. Hong Kong dollars are already flooding the Southeast of China, and the April action by the Bank of China will increase the acceptability of the flow.

So far, no major western European power or Japan has been dollarized. But if the assaults against the currencies of Europe launched by George Soros, who was financed by the Federal Reserve-administered Citibank, continue, such as the attack on the French franc in July and August, then within a few years, Europe will fall under the dollar as well.

What's behind it

There are two reasons for the flood of dollars outside the United States, to the point that only one-third of physical U.S. dollars are actually in America.

First is the illegal, underground economy dominated by drugs. Drug traders, dominated by the London and U.S. banks, are siphoning off the physical dollar take—espeically $50 and $100 bills—into countries such as Colombia, Peru, Venezuela, and also Mexico, as well as Hong Kong.

Second, the Federal Reserve, Citibank, Republic Bank of New York, and Chemical Bank are shipping dollars out to Russia, Argentina, China, and Indonesia. An expert in this area at the Federal Reserve, Richard Porter, reported on Aug. 27 that the Federal Reserve ships some of the dollars on its own, but generally they are shipped when the big banks place an order: A bank, such as Citibank, places an order. The Federal Reserve bundles the dollars into blue plastic wrappers, and the bundles are then bound together in bails. These are then trucked out to either ships or airplanes, and sent abroad.

Former U.S. Secretary of the Treasury Nicholas Brady with former Treasurer Katherine Ortega. Only one-third of the U.S. dollars produced are now in America.

While it is clear that the physical dollarization of economies destroys them, it is equally true that the process is destroying the United States. It is by no means a symptom of the resurgent strength of the United States in the post-Cold War world, as some have claimed. The outflow of physical dollars feeds the growth of the category of "international dollars"—including physical dollars, dollar-denominated U.S. Treasury bills, and dollar-denominated derivatives instruments—that are, in a sense, distinct from domestic U.S. dollars. These are being turned against the United States itself. The United States is made to dance to the tune of those who hold them.

As this process is turned back against the United States in the way the designers of the secret NAFTA agreement intend, it will be the sovereignty of the United States itself which is abridged, for a return to the kind of debt slavery to which Mexico's citizens are even now being subjugated.