Bankers Fiddle While Rockefeller Burns

by Dave Goldman

NEW YORK, March 8 — Public admissions of incompetence and duplicity by the New York Times, the Wall Street Journal, Federal Reserve Chairman Arthur Burns, Treasury Secretary William Simon, German Federal Bank President Karl Klasen, Federal Bank vice-president Otmar Emminger, and a host of lesser officials, exceeded the bounds of public belief last week.

The reason for this rash of confessions is simple. During the past two months, the Rockefeller faction has held off the collapse of Europe, and with it the collapse of the linch-pin government of West German Chancellor Helmut Schmidt, with a bit of financial trickery that must end in a few weeks. About $9 billion in Arab oil revenues since January have flown directly to Germany, Italy, England, Sweden, Japan and other near-bankrupts to delay the breakdown of their credit systems. For Second International fascists Helmut Schmidt and Swedish Premier Olof Palme, Saudi Arabia's King Faisal and the Shah of Iran have momentarily accomplished what Thyssen Steel and the Schroeder Bank did for Hitler.

But the bankroll behind these gangsters, the oil cartel, is breaking up, as New York bank economists now freely admit. "My criticism of Simon," one source complained, "is that he is going to sit back and let a depression reduce oil prices!" Schmidt has bought support for the dollar among German capitalists, by giving them a cut from the accounts of the Mideast oil sheikhs. He has bought toleration of his regime by some working-class layers, by delaying the economy's point of no return.

The irony of Schmidt's and Palme's existence on borrowed time is that the oil sheikhs' refinancing operation is the major source of weakness of the dollar. Petrodollars, earmarked for David Rockefeller's "development" fantasies, now buy the shares of German metalworking and Japanese steel firms, changing into German marks or Japanese yen en route, depressing the market value of the dollar in general. Arab "investors" pump cash to the West in return for any commodity available for shipment, from overpriced military aircraft to deodorized cow dung. The ultimate absurdity of this business, Barron's magazine reported this week, is that every port, railroad and highway in the Mideast is hopelessly clogged with shipments, while freighters wait for two weeks off Persian Gulf ports for a turn to unload.

Every parameter of this game — in which the Rockefeller faction bought time in exchange for a rapid contraction of world trade, depression levels of unemployment and a 40 per cent annual rate of production losses — is breaking down. On their balance sheet, the Rockefellers have "gained" a credit system on the verge of simultaneous explosion, and an arrogant, overextended, and universally-hated political front in Europe, in the form of the Second International. They are about to lose everything. Their own words and actions prove it.

From the Wall Street Journal's editors yesterday: "While Mr. Simon has properly resisted the Kissinger ideas (on energy policy -- DG), he's advanced no foreign economic policy of his own. The plain fact is that the United States now has no discernible foreign economic policy. Foreign economic problems are blocked out of Washington's mind, while attention is focused solely on our economic problems at home."

As New Solidarity reported last issue, the capitalists pose the problem in the following terms: if we pump money into the system in the U.S., then the dollar goes down, and if we hold off on credit in the U.S., the dollar goes up, but the U.S. goes down. The New York Times knows which side it is on, as in this morning's editorial: "Monetary policy is hampered by an excessive concern over inflation and over bringing down interest rates too rapidly, lest the dollar be hurt internationally. These are the same fears that hampered monetary policy over forty years ago when the United States economy was sliding into its worst depression in history." That is, the Times' editors propose that the U.S. engage in international currency war — 1930s-style — to back up emergency inflationary spending at home!

Caught in the middle of this is Federal Reserve Chairman Arthur Burns. Earlier this week, we reported, Burns removed funds from the U.S. banking system to halt the slide in interest rates. Privately, Burns and other Federal Reserve officials told newsmen including IPS reporters, that Burns will "tighten up on money and worry about the dollar." As a result, the dollar rebounded Friday afternoon gaining more than 1 per cent against most European currencies.

But after the foreign exchange markets closed Friday afternoon, Burns announced that the Federal Reserve would lower its discount rate — the rate at which it lends to banks — to 6.25 from 6.75. This was done to prevent a further collapse of the domestic bond market Monday morning, the corporations' and cities' last refuge in a period of tight bank credit. "Without some sign such as this by the Fed," sighed one relieved bond dealer, "I think the market would have gone lower at the Monday opening."

Monday will also tell what this bit of financial dupery by central banker Burns will do to the dollar. Any European capitalist turning in disgust from Burns and looking instead to Treasury Secretary Simon for a policy would find the Administration's top monetary official, "fat, dumb, and happy," as Simon's chief deputy told IPS two weeks ago. In an exclusive IPS interview, Simon raved, "Our dollar's been in the same range it's been in since the second devaluation (in 1972)...We have intervened significantly in the past several months to maintain orderly markets, but we are not going to peg the dollar."

The plain fact is that the U.S. credit system is too rotten to permit "support" for the dollar. Burns himself estimates that the U.S. Treasury will be forced to borrow $100 billion through mid-1976, or one-third of all the money it spends. A survey of New York bank economists shows that they agree with the New York Times' call for wild inflation rather than wild deflation. "We cannot allow the tail to wag the dog," said Irwin Kellner of Manufacturers' Hanover, meaning, the dollar can't be supported at the expense of the U.S. bond market. "After all, a fall in the dollar wouldn't be so bad..."

Should Burns cut the flow of credit, "one sees a sharp increase in defaults in loans and a slew of major bankruptcies that may engulf the banking system," according to Business Week. It added, "The squeeze on the banks may come sooner than most expect." Such a chain reaction would provoke a worse collapse of the dollar than any amount of pump-priming by the Fed!

Backed to the wall, the Rockefeller faction can do no more than discredit itself in the eyes of its uneasy European allies. What else can they do? Former Kissinger staffer C. Fred Bergsten, a "product of the New York Times business page," according to his associates, has another idea: use the International Monetary Fund to exchange all the mountains of foreign-held dollars for the IMF's Special Drawing Rights. Special Drawing Rights are a form of would-be capitalist paper that bear the same relation to an international currency as Esperanto does to an international language. IPS told Bergsten in a recent interview that most New York bankers would believe that the IMF would go bankrupt if it became a large-scale international lender, since it has no political muscle to collect on its debts. "What makes these banks think they're going to collect?," Bergsten snapped. End of discussion.