Strong dollar batters U.S. allies to Soviet benefit

by Richard Freeman

The soaring U.S. dollar is bashing the currencies of many of the Western countries that the United States is seeking to cooperate with in the Strategic Defense Initiative. While President Reagan seeks to court these governments to aid in building a beam-defense shield for all of NATO against the Soviets, the Swiss gnomes, working with the Kremlin, are using economic warfare to make breaches in the Western Alliance big enough to drive Marshal Ogarkov's tanks through.

Their shared instrument is Treasury Secretary Donald Regan and his "strong dollar" policy which, at least temporarily, is looting the world.

Since mid-1984, when the dollar sat at 2.68 deutschemarks, the dollar's rise has been unstoppable, even though the U.S. banking system is rotten to the core and the economy is badly depressed.

By Jan. 2, the dollar had risen to a 12-year high against the German deutschemark, reaching 3.17. This is roughly double the dollar parity against the deutschemark of only two years ago. Within the week following Christmas, the dollar reached an all-time high against the British pound and the French franc; a two-year high against the Japanese yen; and a nine-year high against the Swiss franc. The pound, which for years rode firmly at a value of $2.40, slipped below the $1.15
analysts.

As for the Italian currency, only a few years ago the dollar was worth 900-1,000 lire. Today, it is worth over 1,900 lire. And the shift is accelerating. On Dec. 31, before New Year's day, the dollar commanded 1,932 lire. The day after New Year's, when the markets were closed, it commanded 1,947 lire, an astounding 17-lire jump in 24 business hours.

The fate of Third World countries is worse. Their currencies have been turned into worthless pieces of paper by the dollar surge. Their devaluation by 25% to 50% in 1984 alone further reduced these nations into satraps of the International Monetary Fund (IMF).

The Dollar Reich

Two questions immediately assail the mind of the attentive and concerned observer. First, how is it possible that the United States pursues a policy of dollar rise, when it so clearly is not in America's real foreign or domestic policy interests? Second, how is it possible for the dollar to rise at all, when the U.S. economy's foundation in industrial and agricultural activity is in such poor condition, and the latest bevy of economic news shows the real U.S. economy falling sharply?

The answer to the first question reveals an interesting policy thread running through Washington, D.C. This thread extends into the high-vaulted bank board rooms in London, the secretive recesses of Geneva and Zurich banking, and into the policy chambers hidden behind the Kremlin's fortified walls.

Someone, somewhere along the line, sold U.S. Secretary of the Treasury Donald Regan a self-destructive plan to "save the U.S. economy." Anyone familiar with the Mefo-Bill plansupport le that Adolf Hitler's finance ministry used to attempt to save an autocthonous Nazi Reich, will recognize that the same author was at work in selling this plan to Don Regan. Since Federal Reserve Board chairman Paul Volcker sent interest rates into the stratosphere starting on Oct. 12, 1979, someone told Regan it would be really smart of him to use the high interest rates to:

a) pull in imports from around the world at cheapened prices by virtue of the appreciating dollar;

b) cover up the deficit on import-account that would result by attracting the world's capital flows into the United States through the alluringly high dollar interest-rate yields.

Thus, the United States jettisoned its role as a capital-goods exporter, and become an importer of manufactured goods to the tune of $32 billion for the first 11 months of 1984. In fact, when one considers that each dollar in 1984 bought many more goods than in 1982, this represents a $50 to $75 billion import-bite of manufactured goods taken out of the world's other manufacturing sectors.

Liberally spicing this policy with extensive consumer-credit creation, and covering over the operation with faked numbers purporting to show an economic recovery, the plan has worked "as well" as Hitler's Mefo-Bill strategy.

Once this operation was set in motion, a self-feeding cycle developed. "The high interest rates created a tremendous growth of debt service," an economist for Donaldson, Lufkin, Jenrette, a Wall Street investment firm run by the Equitable Life Insurance Company, stated on Jan. 2. "France, Canada, Denmark, Sweden, and the Third World have enormous dollar debt obligations, and theren't aren't enough dollars to pay debt service. These countries either have to borrow dollars, which incurs interest and eventually builds their debt, or else they buy the dollars outright, but this bids up the dollar, and makes it even more expensive. Either way, this is a costly proposition for these countries."

The dollar rise has also shaken out U.S. industry and further crushed America's living standard. "The strong dollar serves additional purposes," stated the same source. "It shakes out some industries in the U.S., like textiles, chemicals, and steels. Imports are cheaper." These already suffering industries "can't compete. The dollar-inspired flood of imports also breaks wage structures. These industries refused to rationalize and now they are paying for it."

The Soviet KGB and its *spetsnatz* terrorist units in the West have had a direct hand in the dollar's rise. "Political instability in Europe, causes investors to move their money into the United States," stated an economist with Crocker National Bank, one of America's 15 largest banks, which is now owned by Midland's, the British giant. The Greens run amok in Germany, terrorists blow up trains in Italy and explode bombs in France. "This causes investors to move their money out of Europe, for a long-term, stable investment."

Swiss-British gains

But while the dollar soars, and America's allies watch their economies failing under the strain, the Swiss and British are busy using the situation to restructure the world banking system.

The Swiss and British have taken firmer control over international liquidity through the vehicle of the Eurobond market, utilizing the strength of the rising dollar. Countries and companies raised $80.3 billion on the Eurobond market in 1984, a record and 68% more than in 1983. The Eurobond market is beyond the regulatory domain of any nation, and offers borrowers the opportunity to change from fixed- to floating-rate issues, and to swap proceeds from one currency into another.

John M. Hennessy, president of the London-based Crédit Suisse-First Boston Corp., the dominant force in the Eurobond market, said about 1985, "We see nothing but an explosion in business. World savings aren't coming out of the United States for the next decade"—a statement remarkable in its likeness to Treasury Secretary Regan's remark, quoted in the October issue of *BusinesWeek*, that the "dollar may remain strong throughout the decade." Hennessy continued, "I guess we'll see a $100 billion Eurobond market for 1985."

The role of the American banks internationally will be further reduced, as is already happening, by their choice, in Ibero-America. Instead the world is reverting back to a bond-market system reminiscent of the British pound-sterling empire that controlled world credit flows in the 19th century.

Self-levitation

When one examines the structure holding up the dollar, one is reminded of the old magician's trick of raising a person up off the ground into the air, with nothing underneath to support the levitating body. That perfectly describes the rising dollar.

Indeed, when interest rates were rising, it was this factor that was cited to account for the dollar's strength. Now that U.S. rates have eased somewhat, it is said that the worldwide fall in commodity prices indicates a deflationary trend, and in a world of deflation, the dollar is stable and also a good bet.

The problem is, beneath the circus trick lies a decimated economy.

The housing market continues to register sharp declines. Sales of new single-family homes fell 10.6% in November, to a seasonally adjusted annual rate of 591,000. November 1984 sales were actually 7.1% below the November level of 1983.

The alleged "recovery" year of 1984 registered only 73 million finished tons of steel produced, 27% below 1979 levels. In a succinct if cruel analysis of the steel industry, Peter Marcus, steel analyst at Paine, Webber investment house, reported Jan. 2: "1985 is shot."

For the week ending Dec. 22, initial unemployment claims rose, marking the fourth weekly rise in a row.

And the trade deficit, which underlies this Dollar Reich strategy that is looting the world, stood at $125 billion after the first 11 months of 1984.

The Dollar Reich is as precarious as the Mefo-Bill plan which underlay Hitler's Reich. In the end it must fall. But for now, the Swiss, the British, and their Soviet "New Yalta" allies see many benefits in maintaining this strategy for a while longer. After all, Uncle Sam is gutting himself and killing his friends with a single atrocious policy.