

Banking by Kathy Burdman

An economic dictatorship?

'Let's quit measuring money and get into central—Malthusian—economic planning,' say Volcker's congressional allies.

When the international debt crisis in Latin America hits this fall, the Swiss-based Bank for International Settlements and Federal Reserve Chairman Paul Adolph Volcker intend to reorganize the U.S. banking system.

First will be the "reform" or "federalization" of the Federal Reserve itself, to restructure the Fed as a Soviet-style central economic planning body. This legislation will be promoted by the KGB-Fabian left wing of congress, led by House Banking Committee chairman Fernand St. Germain (D-R.I.).

"We intend to make major changes in the functioning of the Fed," an aide to St. Germain said flatly. "We could have it in concrete legislative form as early as October. It's a question of timing. If there's a breakdown in Mexico or Brazil in August, there will be hell to pay when we [congress] come back" Sept. 12, he said. The legislation, he said, "can be sped up by the pace of events outside our control. It depends on how fast they move. . . . If we get an international financial crisis, or the moment anything goes wrong with the recovery, we'll have full legislative support."

The Fed reform will be sold to the public as a move to bring the Fed under congressional control. But policy will actually be run by the BIS and Anglo-Swiss private banks, who control St. Germain and company.

The Fed will leave credit and money to the private banks, and become an economic planning commission, which makes "industrial policy" and plans industrial production, agricultural production, consumer expenditure and other aspects of the "real" U.S. economy.

As St. Germain himself told Fed Chairman Volcker before the House Banking Committee July 20, the massive deregulation which Volcker and St. Germain have conducted since 1980 has made it impossible to "define money," and the Fed has no way to control money supply any more. "What good does it do to tell the American people about money targets that are . . . almost useless. You must let us know where you believe your policies will take the economy."

St. Germain described the result of a poll of 300 U.S. economists initiated in May, most of whom support his corporatist reorganization plan. St. Germain and his aide Richard Medley asked, for example, "Can we identify a particular conception of 'money' with sufficient precision to allow its use as a proxy for economic performance?" Of the respondents, 55 percent answered "No," and only 32 percent said "Yes."

In testimony July 20, St. Germain told Volcker that the BIS Democrats in Congress intend to tell the Fed just what Malthusian economic policy to set, and where GNP, unemployment,

and production in every industry ought to be. "The congress will go ahead and set the policy objectives for the economy, and tell the Fed what to do," he stated.

Volcker, playing his public role of defending the status quo, provided the perfect foil for St. Germain, openly egging congress to reassert control. "Please don't throw me in the briar patch," he cried. "It is not technically feasible" for the Fed to plan.

St. Germain elaborated on what areas of the real economy the Fed should control. "It is widely believed that the Federal Reserve Board should begin to set and announce its objectives for nominal and/or real GNP, inflation and employment," St. Germain stated in a July 11 letter to Volcker distributed at the hearing.

The 300 economists also endorsed the idea of allowing the Fed to set actual policy plans. "Should the Federal Reserve continue to use money supply as its exclusive target, or should it move to target other variables such as interest rates, GNP growth, inflation, unemployment, and/or commodity prices," St. Germain asked in the questionnaire. Fully 63 percent of the economists agreed that there should be a "target shift."

"Sixty-five percent of these thought that the movement should be to one or more real economic variables, such as inflation or unemployment," St. Germain reported.

To St. Germain's specific question "Should the Federal Reserve be required to set and announce its objectives for nominal and/or real GNP, inflation, and unemployment," 48 percent of respondents replied affirmatively.

Fully 33 percent of the respondents further supported the idea of "institutional change in the Federal Reserve Board" to achieve this.