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## News Analysis

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# Secretary Baker learns the lesson of *The Merchant of Venice*

by Lyndon H. LaRouche, Jr.

U.S. Treasury Secretary James A. Baker III has just received a painful lesson from the international bankers. The Secretary had given wide advance circulation to the proposal he submitted to the Oct. 8, 1985 meeting of the International Monetary Fund, in Seoul, South Korea, a proposal for reform of the crumbling international monetary system. The bankers not only snubbed the Secretary's offer of discussions, but responded with press leaks which were plainly intended to be insulting.

Since the beginning of summer 1981, President Ronald Reagan and his administration, have consistently backed policies which Federal Reserve chairman Paul A. Volcker has described as "controlled disintegration of the economy." In every crisis, up to now, the President's administration has capitulated without resistance to the demands of the international banking cartel.

Now, the President is no longer able to continue that abdication to the banks. Beginning spring 1984, the domestic banking system has been gripped by spreading bankruptcies reminding us of the early 1930s. By the second quarter of 1985, it has become clear that Mexico and South America could not continue the combination of austerity and debt-rollover policies imposed by Kissinger Associates, Inc., beginning October 1982.

Key circles within the Reagan administration have seen the breakdown of the present international monetary system as inevitable, but, for political reasons, have hoped to postpone the inevitable day of reckoning as long as possible. By the summer of 1985, it was clear to a growing number of policy-shaping circles around the administration, that the efforts to postpone reform beyond 1985 must probably fail. Apparently, Fed chairman Volcker sensed this; clearly, Secretary Baker did.

As a typical Washington pragmatist, what Baker proposed as a limited reform of the monetary system, was admittedly pitifully small, and technically unworkable. The only virtue of the proposal, was that it put the subject of urgently needed monetary reform on the agenda. The significance of the bankers' refusal to discuss the proposal has nothing to do with the proposed reform itself; the issue is, that they refused to allow placing any discussion of monetary reform on the agenda.



*James Baker III: a typical Washington pragmatist.*

Shylock demands his pound of flesh, and cares not in the least whether the collection kills the debtor. The leading bankers and re-insurance cartels of Switzerland, Venice, London, New York, and New England, are convinced that they have veto-power over the policies of the U.S. government, and know that Moscow fully supports continuation of the IMF "conditionalities" policy, whose effects Moscow views as serving Soviet strategic interests very well. The same bankers care not in the least how many lives are destroyed by the international narcotics-traffic; these Shylocks care only that deposits of hundreds of billions of dollars in drug-traffic revenues are a major portion of the financial flows through the international banking system at the present time.

Secretary Baker, whatever his faults, is political. In other words, the administration does not dare, politically, to overlook the political revolts which the spread of farm closures, industrial unemployment, and worsening misery, are spreading in the United States itself. The administration must take into account the fact that nations long friends or allies of the United States, are being destabilized by the combined effects of drug-trafficking and IMF "conditionalities."

Meanwhile, inside the United States, a popular political revolt is building up rapidly, against the government's cover-

up policies on the deadly plague of AIDS. With at least one million homosexuals and drug-users in the U.S.A. already estimated to be infected with this fatal virus, and the number of reported cases doubling every six months, with between 10 and 32 million cases of AIDS infection reported for Central Africa, and an AIDS catastrophe spreading in Brazil; there is no way the government can continue for long to insist that AIDS is spread only by "dirty sex" and needles.

AIDS, like any pandemic of contagious disease, is spread through conditions of economic breakdown. Lack of sanitation, poor nutrition, living in crowded slums or internment camps, enable diseases to find their own way of spreading their infection among populations with the weakest resistance and poorest sanitary conditions. Once pandemics gain a large foothold in some parts of the population, the pandemics spread into the population as a whole.

The underlying issue with AIDS, is politically the same as with the crumbling of the international monetary system. Fighting AIDS costs a great deal of money; it would probably cost tens of billions of dollars a year in the United States at the present level of spread of the infection, for combined measures of sanitation and treatment. With the present budget-balancing fight around the Congress, the application of traditional measures under public health laws, means spending much more money than Washington is willing to consider spending. Therefore, most U.S. government agencies, so far, have accepted the fraudulent doctrine on AIDS circulated by Soviet official Sergei Litvinov, head of the communicable diseases sections of the World Health Organization.

So far, the world's leading experts see no way in which the Soviet biological-warfare apparatus could have created AIDS in a test-tube. However, it is in the strategic interests of Moscow to see to it that the West does nothing to stop this pandemic; within a few years, at present rates, the spread of AIDS in Asia, Africa, Western Europe, and the Americas, would permit Moscow to take over the world almost without firing a shot.

The Shylocks have their own reasons. To unleash the kinds of public health measures needed to stop AIDS' spread, would require a dumping of the present policies of the international monetary system, and a return to high rates of economic growth through technological progress. Any monetary reform which met that requirement, would save the banking system, but greatly reduce the political power of the bankers. These bankers refuse to tolerate any reduction in their political power.

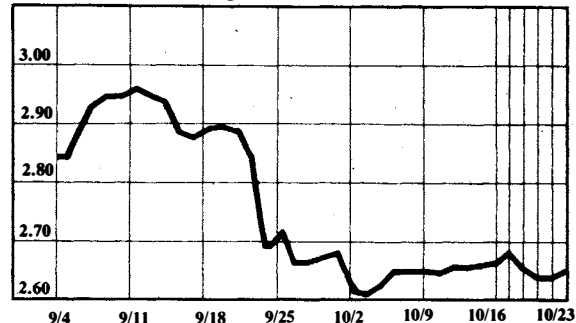
Around the Reagan administration, there is much worry on both accounts. It is realized by a growing number, that the present cover-up of the facts about AIDS can not continue through the 1986 congressional elections. It is also realized that the efforts to continue the present monetary policies are reaching the end of the line.

Secretary Baker's proposal itself was worthless, but his insistence that reform of the monetary system must be put onto the agenda, cannot be buried.

## Currency Rates

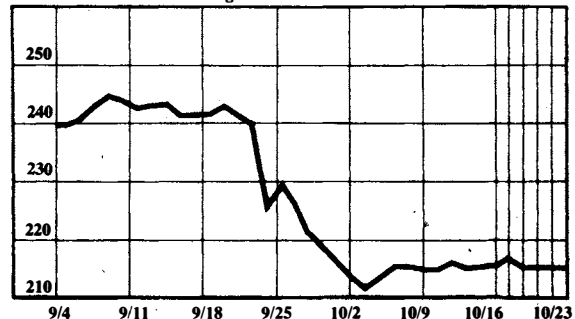
### The dollar in deutschemarks

New York late afternoon fixing



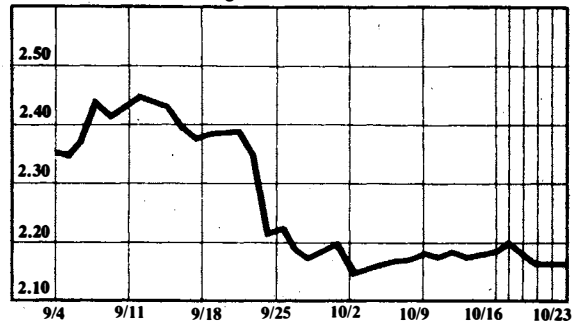
### The dollar in yen

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing

