

Baker and Volcker put transfer ruble on agenda

by Christopher White

The treasonous stupidity of current monetary policy has been sharply highlighted in recent days, once again. The more the Treasury and Federal Reserve act to put pressure on especially West Germany and Japan, to change their internal economic policies, the better the Russians' position becomes, to simply take over whole areas of the world economy on which the United States depends.

No doubt Treasury Secretary James Baker III and Federal Reserve chairman Volcker are already planning to present such an emerging Russian takeover to the befuddled U.S. President as one of the free enterprise system's greatest victories.

Apparently now under discussion between the United States, West Germany, and Japan—according to U.S. sources—is an agreement which will tie the stabilization of the dollar to internal changes in Germany and Japan. Apparently “secret meetings” between the three countries are now under way to work out the details of such arrangements. According to press accounts, the idea is to fix a range, within which the dollar would be permitted to fluctuate. In exchange for this relative stability, West Germany and Japan are supposed to adopt internal reflationary policies, based on the elimination of a certain part of their exports to the United States.

Some people within the United States no doubt do consider that this kind of blackmail and financial warfare scheme is an acceptable method to employ in conducting relations with the United States' principal allies. The leaks therefore reflect this intent, whether or not such meetings are in fact going on.

Similarly, the behavior of the dollar, to the extent the United States is able to influence that, also conforms to that intent, as shown in the game Baker and Volcker are playing out, over whether the dollar should continue to fall or not,

and if so, how fast. In the first two weeks of February, Baker was promoting further declines against the deutschemark, while Volcker was putting out the word that the dollar should not fall further.

In the real world, this game is a monstrous form of chicken game, threatening the allies with a U.S.-provoked depression in their economic activity, and forcing them into the waiting arms of the Russians. The foundations of the Western alliance are thus threatened, and furthermore so is the bankrupt U.S. financial system itself. If their warfare continues, the United States will, sooner or later, find itself without allies, and by its own stupidity, reduced to second-rate-power status, against a Soviet Union capable of commanding the economic resources of most of Western Europe in addition to its own.

Davos Forum—forum for Soviets

The consequences of what Baker and Volcker are up to was laid out most clearly in this year's meeting of the so-called European Management Forum. This is an annual bash for those considered “high and mighty,” at least in their own perception of self-esteem, which convenes annually at the Swiss ski resort of Davos. There, from their mountaintop, the “high and mighty” decide what they want to do with the world over the next months, in much the same way, in their own conceit, as the pagan gods of Olympus were wont to do.

The Davos Forums of earlier years played key roles in the unfolding of the oil shocks of 1973 and 1979. This year's such event was the scene for an unprecedented intervention by Yuri Ivanov, the chairman of the Soviet Union's Foreign Trade Bank. Ivanov announced to the participants that the Soviet Union is presently studying “the convertibility of the ruble” as part of its effort to recruit Western, and especially Western European, corporations to joint production ventures

with the Soviet Union.

This is the same Ivanov who, earlier in the month of January, was featured in the pages of *Pravda* calling for the formation of a new international monetary system to replace the dollar. In that *Pravda* article Ivanov argued that current dollar policies are designed to force the submission of especially France, West Germany, and Japan to the will of the United States, and that therefore an alternative is needed.

His Davos ruble proposal is thus to be seen as an aspect of the outline, to the policymakers of Europe and the United States, of what the Russians think the alternative to the dollar ought to be.

The proposals associated with Ivanov are at the center of an intensifying round of diplomatic activity launched by the Russians. A central focus of this is the Feb. 14 conference in Moscow regrouping financiers, business leaders, peace movement types, and religious spokesmen from the West. As part of the build-up for this conference, the Russians have recently concluded a conference with over 300 French industrialists, on the subject of expanding cooperation between the two economies.

Similar efforts have been made vis-à-vis the Federal Republic of Germany. Most recently Yulii Kvitsinskii, Soviet ambassador to Bonn, was featured in the pages of the newspaper *General Anzeiger* arguing, "Like foreign minister Genscher, we too want to overcome the technological division of Europe. Of interest are environmental protection, transportation, energy and space." Kvitsinskii is proposing that existing trade relations between West Germany and the Soviet Union be upgraded to become "joint production" ventures. This he says will characterize the future, of what he calls "new forms of economic cooperation with the West." Among the proposals being discussed are West German assistance to upgrading the Soviet Union's nuclear energy facilities.

The collapsing dollar scenario

How do Baker and Volcker fit into this? It's really very simple, and their rigging of the latest crisis of the dollar is central to the unfolding pattern of treason, against the Western alliance as a whole, and the United States in particular.

They are using the collapsing dollar as a club to attempt to force Germany and Japan to eliminate that portion of their productive capacity which is tied to a share of those countries' exports to the United States. This is how they intend to deal with the so-called crisis of the United States trade deficit, running at \$170 billion for 1986. They do not intend to increase the level of U.S. exports, but rather to decrease imports into the United States.

To this end, two means are available:

- One, reducing the purchasing power of U.S. consumers, to the point that a significant ration of that 20% plus of domestic consumption which is accounted for by imported goods, will no longer be imported. This began to show up in

the 33% collapse of automobile sales for the month of January.

- Two, rigging the dollar at levels below which it becomes too costly for West Germany and Japan to export to the United States.

Insiders in Europe see that latter as the principal objective of the latest round of U.S. sponsored and encouraged dollar-bashing.

What then is supposed to happen to an economy, such as West Germany's, which depends on the export of approximately 40% of its total output in order to maintain breakeven conditions? To survive Germany will have to find alternate export markets. Given the way the world is presently organized there are not too many such markets of choice.

Inside the United States there have been some voices raised in opposition to some aspects of what the Volcker-Baker duo are doing. It is argued that a precipitous drop in the dollar wipes out interest earnings of foreign investors in the United States, and therefore those foreign investors are putting their money elsewhere. Interest rates internally begin to rise again to supposedly choke off the renewed threat of inflation, and the U.S. economy goes into recession. Volcker himself has voiced these fears.

'American System' reorganization needed

The insanity is that in the so-called game as rigged there are no acceptable solutions. The United States is destroying its alliances in favor of the Soviet Union, and destroying itself, in favor of the Soviet Union. The kind of monetary alternative the Russians are now fielding in Europe may mean that there is not too much longer a time-frame in which these gentlemen like Volcker and Baker can continue to delude themselves, and others, about what it is exactly that they are doing.

U.S. monetary policy could be reorganized, to the benefit of both the United States, and its alliance and trade partners. Democratic presidential candidate, and economist, Lyndon LaRouche is the author of workable proposals concerning how to do that. The methods proposed have been employed successfully over the course of American history, from Alexander Hamilton through Lincoln down to the Roosevelt war mobilization. The approach requires pegging the dollar to a gold reserve standard, and issuing gold-backed treasury notes, as the basis for credit for agriculture, industry, and infrastructure into the otherwise bankrupt banking system.

Against this, those who are in effect contributing to handing Europe over to the Russians, argue that their monetary system and its banks are still fundamentally sound and viable, and in no need of such reorganization. The time is fast approaching when the consequences of their own policies will confirm that they were not only wrong, but insane, to continue to promote the measures that they have promoted.

By that time many would no doubt consider a treason trial to be too good for them.