# Fed's Greenspan launches power grab

by Chris White

Federal Reserve chairman Alan Greenspan, a follower of the Russian mystic Ayn Rand, has successfully propelled himself to the fore as the pointman for challenges to the new administration from within the United States, in his capacity as the U.S. representative for the central banks of the northern part of Western Europe.

That, his adopted mission, was the subject of two rounds of congressional testimony in the first week of February, before the Senate Finance Committee and the House Ways and Means Committee. This testimony expanded on the bombshell theme of his Jan. 23 appearance before the House Banking Committee, chaired by Rep. Henry B. Gonzalez (D-Tex.). On that occasion, Greenspan set himself at odds with the new administration, while reminding them that the power is his, and his employers', to determine whether they sink or swim. This was accomplished when Greenspan told the Gonzalez committee that the fight against inflation would remain his number-one priority, and that to wage that fight, he would not refrain from raising interest rates should he have to. The testimony drew a rebuttal from the new President the very next day.

Now, what Greenspan has presented goes very much further. Before the Senate Finance Committee, he laid out what can only be construed as the program of a power grab designed to enhance the institutional weight of the so-called "independent" Federal Reserve Bank and its Board of Governors vis-à-vis both the executive and legislative branches of government. Protesting, perhaps like Hamlet's mother Gertrude, too much, that his remarks of the week before had been "misconstrued," that he is a "close friend" of the new President, that the differences between the two of them were "minuscule," Greenspan went on to demand regular meetings with Bush and his economic team, the Treasury Secretary, the head of the Office of Management and the Budget, and the chairman of the Council Economic Advisers to the President. He also warned Congress that whatever budget it ultimately comes up with for the year, it would have to meet approval from "international opinion," specifically the creditors of the United States, and he again reserved the right to increase interest rates.

His subsequent testimony Feb. 2 before the House Ways and Means Committee was again on the subject of the budget deficit, warning lawmakers that the deficit was "eroding" the American economy, and would have to be dealt with. Commonplace by now in so-called public opinion, because of the way the matter is shaped by press bombardment, the testimony was also a timely intervention into the Group of Seven meeting set to begin the very next day, on behalf of those European-based financial powers whose objective it is to crush the new administration, through financial crisis manipulation over the coming months.

## The central bankers' game

Internationally, Greenspan's power-grabbing perspective reflects the deflationary objectives of the cabal of central banks organized around the Basel, Switzerland-based Bank for International Settlements (BIS). The central bankers are coordinating especially their interest rate policy internationally, in such a way as to maintain or increase the level of the dollar relative to the West German mark, it being back up near the imputed 1.90 upper level set at the Versailles meeting in January 1988, while the German central bank unloads dollars which the Japanese then buy. The effect is a steady tightening of credit everywhere, leading shortly to the running down of Japan's reserves.

At the same time, the same central bankers are coordinating administrative or legal action to rein in speculative activity on equity and other markets. The ongoing investigation of the Chicago Board of Trade and Mercantile Exchange appears to be typical of this pattern, which is being conducted as an assault on "insider trading" and related practices. Markets in the United States, Mexico, France, Japan, and Britain have been hit as part of this campaign. In each case, the ostensible political "anti-corruption" scandal-mongering provides the cover for an administrative retrenchment of speculative markets, as part of the central bankers' design coordinated through the BIS.

Some analysts in Europe point out that this coordinated policy of combined credit tightening and administrative reorganization of speculative markets seems designed to bring about, through the back door, the reestablishment of a relationship between the dollar's value on exchange markets, and the price of gold. The two have swung inversely over the last years. Now, the story is that thanks to central bankers' political control, dollar and gold rates are being brought into the range where soon the markets will be able to consider them once more to be pegged to one another.

Internationally, the name of the central bankers' game is called the fight for control over the financial collapse. The new administration's team considers that it too is engaged in an effort to take control, and that with the guarantee of continued financing from especially Japan, time can be bought to establish that control. Both sides—the central bankers and their allies, and those who backed the new team taking over in the United States—are making the same type of blunder, putting themselves in the position of competitors fighting for control over the rearrangement of the deck chairs on board the *Titanic*. No matter who ends up on top, the result will still be the same: The *Titanic* will sink.

From the standpoint of pure power politics, it may well look like the central bankers have an unbeatable hand. While the United States is the largest debtor in the world, they, in combination, are the largest creditor, and more important, the controllers of the terms under which credit is generated. But pure power political combinations will not count for too much as the world economy grinds further into economic breakdown, because of the depression-inducing and depression-aggravating policies which their policies enforce.

## Shifting alliances

Greenspan wasn't the only one to intervene in the preparations for the Group of Seven meeting of finance ministers of the top allied countries. The President, targeted by Greenspan and company, also did, meeting Japanese Prime Minister Noboru Takeshita on the eve of the gathering, to signal a shift in priorities away from continental Europe, toward an alliance of the United States and Britain, backed by Japanese funding, against the nations of continental Europe. The meeting, of course, also indicated that the desired Japanese money is on line, as is reflected in the behavior of the dollar.

But this is only on the level of the governments. Now those the U.S. administration thinks its friends, like the circles typified by former West German chancellor Helmut Schmidt, are working against France, Germany, and Italy, ostensibly for the United States. But, in a short while, when Japan's capacity to finance such U.S. activity is run down, those friends will be the ones who turn against the United States, and stand revealed as part of the central bankers' faction which Greenspan represents.

Their other agenda is being presented to the Group of Seven meeting in the form of demands that the United States adopt a new policy on Third World indebtedness, acceptable to its creditors, which can be adopted for implementation by the time of the International Monetary Fund's Interim Committee meeting in April. The threat is that if these demands are not met, then from then on, the U.S. will be fair game. In April too, Helmut Schmidt's new U.N.-sponsored outfit to promote the flow of funds into the Third World will be holding its first conference in Tokyo. This new organization brings together people like Paul Volcker and Fritz Leutwiler with other former central banking officials.

They and their partisans within the Group of Seven are advocating an overall reorganization of debt under the IMF, the World Bank, or a combination of both. Their plan goes under the name of the Miyazawa Plan, or the Beregovoy Plan, or now the Carlos Andrés Pérez plan, after various officials who have associated with the same blueprint. It is to establish a new agency within the IMF or World Bank to buy out holdings of debt, at a discount, in exchange for long-term bonds; the transactions would be collateralized against debtors' foreign exchange holdings.

This plan has been consistently rejected by the crowd in the United States, especially since last September. The reason is that the sovereignty of the U.S is over, once it is adopted, for apart from what is done to the Third World in the name of such an agency, it will also be the United States which is then first subjected to the yoke of international financial dictatorship. No one from the U.S. side has opposed it that way. They put forward the usual technocratic blather, about letting the burden fall on the banks not the taxpayer, and preferring a bilateral rather than a multilateral approach.

The European-based multilateralists and the U.S.-based bilateralists will ultimately do the same thing. They both stand for the same policy of ruthless Schachtian austerity. As long as the U.S. crowd refuses to recognize that new monetary arrangements are needed, they must operate within the constraints of their own indebtedness to the bankrupt system they refuse to replace. Greenspan's power grab of the last two weeks is a staking out of the ground for arrangements which will come, sometime after April, as U.S. sovereignty is crushed, and creditors begin to insist on payment of debt, not in dollars, but gold perhaps, or local currencies.