The Politics Of The Bull Market

The real story on the Wall Street bull market which began Thursday, April 13, has been blacked out of the major U.S. press — that the bull market was initiated as a political operation by pro-dollar, anti-British financial factions in Japan, Western Europe, the Mideast, and the U.S. Only a relatively small initiatory action was necessary. Once the bull impulse had been signalled, the herd of U.S. and foreign institutional investors quickly followed.

Our readers will recall that it was on Feb. 21 (Vol. 5 No. 7) that they first read in this publication a strategy outlined by U.S. Labor Party Chairman Lyndon LaRouche Jr. for creating a bull market for the dollar and against the British. That proposal was widely circulated among international policymaking circles close to some of the individuals who in the past week or so are known to have moved to defend the dollar.

The action emanating from these circles, while positive, to date has been only partial, however. Unless, in particular, a visible "counterpole" to pro-British Treasury Secretary W. Michael Blumenthal and Federal Reserve Chairman G. William Miller is quickly assembled — including open participation by the U.S. Labor Party — the Wall Street "bull" is going to end up as a City of London trophy.

Gold Sales Announced

The underlying political nature of the bull market was underlined by the strong renewal of bull tendencies on April 20, in the immediate aftermath of the announcement the evening before by the U.S. Treasury that it would initiate Treasury gold sales in May. The gold sales are to take place over a period of six months and will total approximately $324 million (assuming a gold sale price of $180 per ounce).

According to an informed Washington source, the announcement of the planned Treasury gold sales was taken on orders from the White House that were transmitted to the Treasury at 2 p.m. on April 19th. The heavily British-penetrated Treasury then sought to "judo" the gold sale that would take place under its auspices, first, by delaying its announcement until 8 p.m., thereby insuring that the gold market in the British Crown Colony of Hong Kong would be the first to benefit (according to an indignant Swiss banker interviewed by NSIPS); second, by putting out a statement that bids for the Treasury's gold by foreign central banks or governments would not "knowingly be accepted," the intention being to "further the U.S. desire to continue progress toward the elimination of the international monetary role of gold."

The Treasury's latter stipulation itself has no teeth — central banks can obtain the Treasury gold through covert purchases on their behalf by private gold trading firms.

It is not just the April 20 renewal of the bull impulse that was political in origin, however. The British-tainted "eastern establishment" press in the U.S. claimed that the dollar recovery and stock market upsurge were in response to President Carter's anti-inflation speech of several days before (which the same papers had earlier ridiculed as ludicrously ineffective!). But the immediate context of the bull market was actually a series of pro-dollar initiatives, ironically coming principally from the French, West Germans, and Saudis. This important role by certain foreign financial factions is acknowledged by better-informed circles on Wall Street (see accompanying interview).

Thus, in the period immediately preceding the Wall Street bull market, leading French Gaullist "baron" Michel Debré favorably contrasted the post-World War II "trade and investment" dollar to the later plaything of speculators that the currency became. Then West German Chancellor Schmidt spoke by telephone with President Carter Thursday April 13 — the day the bull market impulses first became inmistakable — reportedly on his just-delivered Bundestag speech, in which Schmidt explicitly endorsed the 1976 Colombo, Sri Lanka, U.N. conference perspective of advanced sector commitment to fully industrializing the underdeveloped sector. At the same time, a blue-ribbon delegation of Arab officials initiated in New York a five-city series of conferences to encourage a doubling of U.S. exports to the Middle East. (For a report on that conference, see *World Trade*.)

U.S. Ambassador to the United Nations Andrew Young's call two weeks ago for the industrialization of Africa — to end forever the "British System" economy there whereby the principal former colonial countries have been kept in a backward state as mere raw materials producers — represented a similar positive policy declaration from the U.S. side.

British Response

British intelligence conduits have responded in predictable fashion to the incipient remoralization of the U.S. business community that the dollar recovery and stock market rise represents. Britain's own press, as well as its press conduits into the continent and the U.S., have featured U.S. bull impulses as merely a "strong rally in a bear market," as the April 19 *New York Times* put it. Britain's main weapon, however, has been (1) the lack of decisive leadership coming from the White House, and (2) the "fiscal conservatism" of G. William Miller, the newly installed chairman of the U.S. Federal Reserve System. On April 19, Miller flexed his muscles in the first Federal Open Market Committee meeting he has attended in which Arthur Burns wasn't visibly staring over his shoulder. Result: Miller tried to scuttle the Wall Street rally by running up short-term interest rates through an atypical "reverse repurchase" agreement.

—Richard Schulman