George Shultz: a profile in economic sabotage

by Richard Cohen, Washington Bureau Chief

For over 10 years, a Mutt-and-Jeff team—Henry Kissinger and George Shultz—has acted to put the United States in its present mess. Kissinger is the thug who politically destroyed or physically eliminated foreign leaders who would not submit to the monetary reorganization "technocrat" George Shultz co-engineered since 1971: that is how the game still works today. Kissinger and Shultz have been deployed in tandem since the 1950s, when Kissinger was at Harvard, Shultz at its sister institution, MIT.

Shultz, the ostensible businessman and hard-headed economist, by his own testimony spent the 1971-76 period working with Kissinger on policies that (as their British designers intended) would undercut the dollar and the U.S. economy. In his 1977 book *Economic Policy Behind the Headlines,* co-authored by his current Deputy Secretary-designate, Kenneth Dam, Shultz traces how he and Kissinger implemented the Aug. 15, 1971 dollar devaluation and unilateral abolition of the gold standard, and the subsequent reorganization of the Bretton Woods monetary system.

Though he subsequently left the government in May 1974, while Kissinger stayed on to run the Ford administration, Shultz was called in during the 1975 fight over *EIR* founder Lyndon LaRouche's International Development Bank proposal and the momentum for a New World Economic Order.

As Shultz reports in his book, "In 1975 Giscard proposed a summit meeting on economic matters, a suggestion viewed with considerable skepticism in U.S. government circles. In September 1975, President Ford asked if I would meet with Chancellor Schmidt and President Giscard, as well as British Prime Minister Harold Wilson, to find out what they had in mind. . . ." Shultz continued, "I met first with Helmut Schmidt. After conversations we both felt that a summit could be quite constructive. . . . Schmidt suggested that he come to Paris after my scheduled meeting with Giscard. When I advised Wilson of this plan, he was eager to be informed of the outcome . . . and arranged for Sir John Hunt, his cabinet secretary, to join me for breakfast the morning before I would leave for Washington. As discussions proceeded, the breakfast group [which met after the meeting with Schmidt and Giscard in Paris] extended to include Schmidt's key monetary representative Karl-Otto Poehl [now head of the West German central bank] and Raymond Barre, later French Prime Minister.

These deliberations resulted in the Rambouillet summit in 1975; according to Shultz, the deliberations also prescribed the parameters around which U.S. Treasury Undersecretary Ed Yeo and French Finance Minister Jacques de Larosière, now executive director of the IMF, prepared for the conference, countering the effort by Japanese Prime Minister Takeo Miki to pursue Third World debt reorganization and North-South technology transfer. Rambouillet in turn ultimately resulted in a final agreement in January 1976 at Jamaica. According to Shultz the Jamaica summit finalized his cherished goal of reducing the role of gold, and guaranteed a U.S. veto over potential wishes of the other industrialized countries to return to fixed exchange rates.

The 1971 crisis

During his tenure in the federal government from 1969 to 1974, Shultz and his close associates had engineered a radical reorganization of U.S. and Western policy along the lines prescribed by the Anglo-Swiss bankers who seek a feudal "post-industrial" world. Shultz's role at the State Department, where, as this journal has documented, he is reassembling key Kissinger people into positions within the executive branch and as outside advisers to State and the national security apparatus, is to finish the job.

As Shultz tells the story in his book, the dramatic Aug. 15, 1971, Nixon decision to "close the gold window" and "end the Bretton Woods fixed exchange system" was an "inescapable decision" that "had been long-delayed." In fact, since 1965-66 Shultz had joined with fellow Chicago School operatives, most notably Herbert Stein and Milton Friedman, in promoting a demotion of gold and a "floating dollar" to deal with what Shultz described as the problem of a "vastly overvalued dollar."

Shultz had become dean of the Graduate School of Business of the University of Chicago in 1962, replacing one of his closest friends and mentors, W. Alan Wallis. Recently appointed by Shultz as Undersecretary of State for Economic Affairs at the age of 70, Wallis had been the dean of the Graduate School of Business at Chicago since 1956. Wallis submitted a paper to the infamous 1932 Eugenics Conference at the New York Museum of Natural History, in which he used his favorite subject—statistics—to attempt to prove the racial superiority of "the Nordic stock."

In 1966, Shultz, Friedman, and others from the Chicago School lambasted the Johnson administration and insisted that the only viable alternative for reducing the U.S. trade deficit was "stringent anti-inflationary fiscal and monetary measures," and/or "a dollar devaluation." This Chicago School campaign escalated when Shultz and company opposed last-ditch Nixon efforts aimed at curtailing U.S. trade deficits, including the beefing up of the Export-Import Bank.

After being named to the position of Secretary of Labor in 1968 at the insistence of his longtime friend and economic confidant Arthur Burns, Shultz conspired with members of the Commission on the Executive Branch, initiated in 1969 and headed by Nixon intimate Roy Ash, then head of the West Coast-based Litton Industries. They successfully promoted the most decisive reorganization of executive-branch economic policy-making machinery in the post-war period. In 1970, the all-powerful Office of Management and Budget (OMB) was created, and George Shultz became its first director. Shultz appointed as his deputy director Caspar Weinberger, then Director of the State of California budget under Gov. Ronald Reagan. OMB was designed by Shultz and others to break traditional lines of constituency influence and thus create an environment within which "stringent fiscal decisions could be more easily made."

Due to the earlier Anglo-American policies, as Shultz reports, by 1971 three times as many dollars were in the hands of foreigners than the U.S. gold equivalent at Fort Knox. Thus, one week prior to the infamous Aug. 15 Camp David decisions, the British government, acting on cue, terrified the already brainwashed President by requesting $3 billion in gold from the United States in exchange for U.K. dollar holdings. A Shultz co-conspirator at the time, Treasury Undersecretary for Monetary Affairs Paul A. Volcker, warned the President that a full-scale run on U.S. gold reserves might be imminent, and urged emergency action.

Shultz lays out in full how the decisions of Aug. 15 were only the first step in what would evolve into full-scale "monetary reform," through Shultz-directed "negotiations" with the Europeans and the Japanese. He boasts how the 10 percent surcharge on imports, part of the Aug. 15 package, were simply a "bargaining chip" to be sold for future European concessions, and chuckles when he identifies how "big bad" John Connally, then Treasury Secretary, conveyed obnoxious threats of further imminent U.S. autarchic moves.

On Dec. 18, 1971, at the Smithsonian Institution in Washington, D.C., an "interim agreement" was reached between the United States, Western Europe, and Japan, in which the dollar was effectively devalued by 7.9 percent, all to the great satisfaction of Shultz. He remarks that the "redoubtable" National Security Adviser and respected friend Henry A. Kissinger had by that time been openly brought into the act. Shultz reports, "Kissinger learned after August 1971 that he could not ignore international monetary matters." Thus, only five days prior to the Smithsonian meeting, Kissinger met privately with French President Georges Pompidou, in what Shultz described as "an action-forcing event." The action forced was an agreement from Pompidou that he would support a dollar devaluation and the revaluation of some European currencies; in exchange, according to Shultz, Kissinger "eased" the requested size of devaluation. Shultz reports that Kissinger could always tell the Europeans that they must go along with him or, if not, have to face the "harder line" of Connally, Herb Stein of the Council of Economic Advisers, and Shultz himself.

In early 1972 Shultz was appointed the new Secretary of the Treasury. Shultz reports that over a series of months he directed secret meetings with then-Secretary of State William Rogers, Federal Reserve Chairman Arthur Burns, CEA Chairman Herbert Stein, and presidential economic adviser Peter Flanigan, to develop U.S. policy, while staff work at Treasury was directed by his Undersecretary, Paul Volcker. The expansion of the hot-money offshore Euromarkets, the further demise of U.S. leadership for growth, and the ascendancy of the International Monetary Fund were the results of their efforts.

Shultz as 'Schmidt-handler'

In a future installment of this profile, we will reveal the British-agent history of the Shultz family, and the molding of young George into a top-level "brainwasher" and operative for the British-based Tavistock Institute.

Shultz prides himself on his manipulative abilities, as a veteran of the days when Britain's skilled Tavistock Institute psychological warriors enhanced his training at MIT. In his own words, "Helmut Schmidt of West Germany has worked hard at developing good personal relations with his [U.S.] counterpart, first as Minister of Defense and then as Minister of Finance. Schmidt became Minister of Finance shortly after

I assumed the roughly comparable post of Secretary of the Treasury. We met first in 1972 in my new office at the Treasury. We had a lengthy talk about the world's economic problems. . . . We developed a strong friendship starting with this first meeting and carrying through innumerable meetings of finance ministers. In part through Schmidt's good offices a small group (dubbed 'the Group of Five' by the press) was formed involving Schmidt, myself, Valéry Giscard d'Estaing, the French finance minister, and Anthony Barber, British Chancellor of the Exchecquer, and later joined by Kiichi Aichi, and subsequently Takeo Fukuda, Japanese minister of finance. This group met for a day in April 1973 when all were in Washington for larger monetary meetings. This and subsequent gatherings of the Group of Five played a crucial role in the international monetary reform discussions then underway."

The first Group of Five meeting took place in September 1972, and was followed a half year later by a U.S. decision to further devalue the dollar. In February 1973 Shultz authored a 10 percent dollar devaluation. The U.S. decision inspired radical currency instabilities. Concerted central-bank intervention was arranged in March to maintain "orderly markets,"

Final and decisive economic pressure was brought to bear at the end of 1973 and the beginning of 1974, with the drastic increase in the price of world petroleum, the goal of the Kissinger-orchestrated 1973 Arab-Israeli war. Prior to the outbreak of war, with Nixon totally consumed by Watergate, Shultz was promoted to the new cabinet-level position of Assistant to the President for Economic Policy, enjoying formal full control over U.S. domestic and international economic policy. (Shultz immediatedly appointed Dam as his deputy.)
plete control over U.S. foreign policy.

The balance sheet

The destructive monetary reform proposed by the Chicago School in 1965-66, imposed on a brainwashed Nixon in 1971, and rammed through in a global agreement in Jamaica in 1976, guaranteed the demise of the U.S. dollar, the constriction of European trade and investment, and a savage economic assault on the developing sector. It is no accident that immediately before Shultz became Secretary of State, he was about to join the Committee on the Year 2000, an organization which promotes a reduction of the world's population by 2 billion people by the turn of the century.

It is also no accident that this year, acting privately on behalf of the Reagan administration, Shultz orchestrated the June Versailles economic summit, at which the leading industrialized nations took no action whatever to avert the global depression. And finally it is no accident that after approximately one month in office, the most destructive attack on a U.S. ally in many years occurred with the all-out IMF blitz against Mexico. As history attests, there are no accidents in this case.

Interview: Debra Freeman

Democratic candidate: 'rebuild Baltimore'

Debra Freeman is running against incumbent Barbara Mikulski in the Democratic primary on Sept. 14 for the U.S. congressional nomination in the 3rd District of Baltimore, Maryland. Mrs. Freeman, who is known throughout Baltimore for her leading role in the National Anti-Drug Coalition and her advocacy of industrial expansion, was interviewed by EIR'*s Mary McCourt on Aug. 26. She has won the support of the National Democratic Policy Committee.*

EIR: What exactly is the "Renaissance" being proposed for Baltimore under the present depression conditions, and what is your campaign opposing Barbara Mikulski in the 3rd District offering as an alternative?

Freeman: There is a very detailed post-industrial plan for the city of Baltimore, which has been developed and discussed over the past two years with tremendous intensity. The basic policy is that the steel plant, the port, all these things are ridiculous "fixations" because they have "no future" in American society. Baltimore's role is to be one pole in a proposed "Baltimore-Washington corridor."

The planners call this a "high-technology" corridor, but it's not high technology, it's the Silicon Valley kind of concept, that Baltimore could become a leader in the new communications age. This is where the PLATO plan came from. PLATO is a computer teaching system that trains students to do little more than respond to meaningless commands on a computer screen. It can train students for little more than post-industrial, free-enterprise-zone jobs—certainly not for anything demanding the ability to think.

The plan is to build Baltimore as a convention city. The Convention Center, the harbor "renewal" are being touted as booming successes. There are plans in the works for seven new luxury hotels in addition to the four now in the city. This is coupled with a just-written proposal, that has not yet been released to the public, by East Baltimore State Delegate John Douglas, which is a proposal for legalized gambling, in the new "downtown" zone. Local legislation was passed just a year ago to re-do Baltimore's red light district—they put in new, quaint cobblestone streets and gaslights—but the pornography businesses have not been touched.

EIR: Has your campaign been able to identify just who is responsible for these policies being proposed for Baltimore?