Volcker and Kissinger stump for the BIS

by Kathy Burdman

Henry Kissinger, the man who did more than any other to help Treasury Secretary John Connally and his undersecretary Paul Volcker demolish the gold-based world monetary system under Richard Nixon, has teamed up again with Volcker to sell a new scheme by the Swiss-based Bank for International Settlements to rig international currencies.

On May 17 in Washington, Kissinger will be the featured speaker at a conference entitled "Agenda for International Monetary Reform," called to set the agenda for the Williamsburg heads of state economic summit on May 24-25. Kissinger, who is now in the business of telling heads of state what to do, will demand a "new Bretton Woods" system.

The aim is to hobble or destroy President Reagan's U.S. beam-weapon economic renaissance, by eliminating the United States' control over its credit, and turning it over to the BIS and International Monetary Fund. The BIS would set U.S. dollar and other currency rates; to maintain the rates, there would have to be harsh austerity in each nation, not least the United States.

Secretary of State George Shultz and Treasury Secretary Donald Regan, who favor the scheme, will speak at the conference.

European bankers behind the BIS fear that Reagan's historic March 23 speech announcing a nationalist high-technology U.S. defense policy means that the President is now out of their control.

Professor Helmut Hesse, an economist with the Club of Rome and adviser to West German Economics Minister Count Otto von Lambsdorff, complained to *EIR* in an April 12 interview that the United States will not cooperate with any "supranational" schemes at Williamsburg. The summit will break down in "international disorder," because "there is a high likelihood that the U.S. is going to go it alone," he said. The Europeans "are receiving increasing indications that the 'one new world' idea which dominated U.S. post-war policy, is going to fall apart. . . . The Europeans [i.e., the BIS] will be at a big disadvantage."

Asked about Reagan's new beam weapons policy, the economist shouted, "That's precisely the point! That shows the direction in which all of U.S. policy is going. It's horrible!"

Speaking in Geneva, Switzerland on April 8 before a BIS meeting, new Bretton Woods advocate Anthony Solomon, president of the New York Federal Reserve, declared, "The burden of success or failure of Williamsburg" will lie with the Europeans. The Europeans, he said, should force the United States to accept global IMF solutions on the Third World debt, and on fixing "firmer exchange rates." To do this, the U.S. must be told to submit to BIS demands to "get the budget down"; in return West Germany, Japan, and Britain should reflate, while France, Italy, and Canada must deflate, he prescribed.

The May 17 Kissinger "Agenda for Williamsburg" conference, organized by BIS-linked economist Robert Mundell of Columbia University and his protégé Rep. Jack Kemp of New York, will take place at the Washington Hilton. In addition to Shultz and Regan, attendees include Lazard Frères banker Felix Rohatyn, Morgan Guaranty economist Rimmer de Vries, former West German Bundesbank president Otmar Emminger, David Rockefeller, current Ditchley Group head Willard Butcher of Chase Manhattan, Citibank President Walter Wriston, Mayor of Paris Jacques Chirac, and 150 other financial experts, Kemp aides say.

Mundell told *EIR* on April 11 that the group is receiving "critical support" from the BIS, and fixed exchange rates will be a "major topic" at the BIS annual meeting in June. The BIS has just issued a study supporting foreign exchange rate intervention and a return to fixed rates.

"We are looking for a system of fixed exchange rates, stabilization of gold prices, and coordination of monetary policy under multilateral surveillance," said Mundell.

"Multilateral surveillance," roughly translated, means that the IMF would set foreign exchange rates of currencies against the dollar, and then, if rates got out of line, the IMF and BIS would demand that the U.S. and other countries change their policies. This means the IMF and BIS would have the right to demand cuts in credit issued to U.S. industry, and cuts in the U.S. budget, especially the U.S. military budget.

Felix Rohatyn is also expected to put forward his plan to restructure some $300 billion in Third World debt.

While it is true that the current currency non-system is a disaster, there is no need for the United States to sign up for a BIS-IMF dictatorship. All President Reagan need do, as *EIR* founder Lyndon H. LaRouche, Jr. has advised, is announce to the nation that he is putting the dollar back on gold at $500 per ounce, and that the United States will negotiate, independently, with other sovereign nations for a new system.

After the Williamsburg summit, the world debt crisis will deepen, and Volcker will step forward to sell the Kissinger scheme to the President, who has no other world financial program, Mundell insists.

From an April 12 interview with a member of the International Finance Division of the Federal Reserve:

Q: Do you see a second debt crisis? . . .

A: We are aware that the IMF programs were overly optimistic in what countries could achieve, and as it becomes obvious that they can't perform, then you have to go back and renegotiate them.

Q: The Brazil and Mexico IMF agreements?

A: Yes. And it won't happen quietly. It will be quite unnerving to the White House. The banks are having to make decisions every day to roll over certain large loans. As they observe these countries are in non-compliance with the agreements they have signed, that their trade deficits should be such and such but are instead running at such and such, the banks will start calling up the countries to demand "What're you gonna *do* about it?" and they will start asking the IMF "What're you gonna *do* about it?" and the IMF will try to hold the banks' hands and calm them down, but it won't work. Then the banks will either threaten to, or in fact call up and say they are not renewing a certain loan.

Somehow, the banks will get the message to both the IMF and the Treasury that this is a crisis. . . .

Q: Which banks? European banks?
A: Why should they care? I mean U.S. banks, Citibank, people like that. It won't happen quietly. This summer is going to be like last summer all over again.

Then, there is going to be a lot of posturing by the countries in response. They're going to start complaining "You haven't stretched out and written off enough of our debts! We've tried our level best but we just can't comply with these conditionalities. We've acted in good faith, but the programs don't work. Now you've got to make some concessions." They are going to start demanding that the banks lengthen and stretch out maturities, and especially to reduce the interest rates, that's their big complaint.

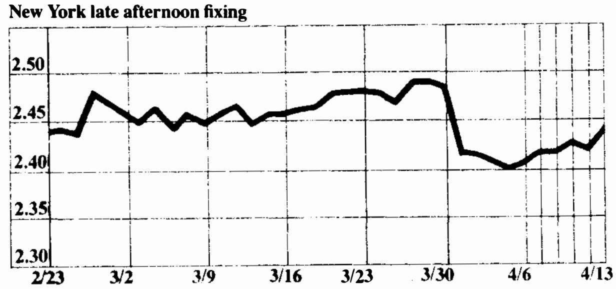
Q: You mean Mexico and Brazil are going to demand the Rohatyn plan?
A: Yes—they want debt relief, and they would get some under these plans, and the U.S. banks will have to pay—which of course they won't; the taxpayers will ultimately pay. That's why it's so politically unpopular.

Q: Why doesn't this discredit the IMF, if its programs fall apart?
A: Anyone with his head screwed on straight would have predicted that much of the [LDC] debt contracted would eventually have to be stretched out and written off by the banks. The problem last summer was that you could not get people to admit this. You could not get the U.S. government to admit to it, you could not get the bankers to admit it, they had to have a story for their shareholders, for the taxpayers whom they are asking to bail them out.

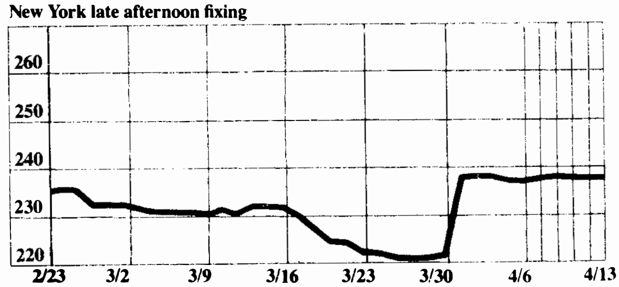
Q: Who gets blamed?
A: You figure it out. Now, the bankers will come to the public and say, "We negotiated our best deal, with tough IMF conditionalities. The countries, too, did what we asked, but there has been no recovery and under these conditions we can't squeeze blood out of a stone. We mis-estimated, we all did, now we have to stretch the debt out." If anything, it looks like the banks made the mistake, not the IMF.

Currency Rates

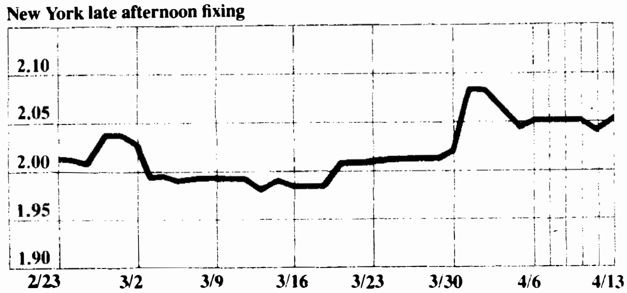
The dollar in deutschemarks
New York late afternoon fixing



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