Greenspan and the cult of Ayn Rand: Don't reappoint 'the undertaker'

by Kathy Wolfe

The quiet and unassuming Federal Reserve Chairman enters the hearing in one of his two-dozen identical, 1950s-cut, navy blue suits, and leans his head on his hand, index finger up. "Alan Greenspan is the greatest central banker in the history of the United States and therefore, by definition, is the greatest central banker in the history of the world," a Senator such as Banking Committee Chairman Phil Gramm (R-Tex.) will say before Greenspan testifies, as Gramm did on July 28, adding: "Your utterances have become somewhat like the Bible."

Unless Greenspan is reappointed when his term as Fed chairman runs out in June 2000, Gramm, Rep. James Leach (R-Iowa), Rep. Paul Ryan (R-Wisc.), and others insist—indeed, unless President Clinton reappoints him early—the current U.S. stock market bubble will crash, destroying the Clinton legacy of eight years of "economic prosperity."

His few Democratic opponents worry that Greenspan is a Wall Street bankers' crony whose 19th-century brand of "robber baron capitalism" is "driven by the filthy rich," as Robert Reich, Clinton's friend and former Secretary of Labor wrote in his 1997 book, *Locked in the Cabinet*. Reich describes how he, Bill, and Hillary had come to Washington to reverse the cruelties of globalization, which have created what Reich called "the race to the bottom" of the American working class, but they were blackmailed to a halt by Greenspan.

"I can't do it," Clinton would sadly tell Reich, of some plan they had had to lift the living standards of the working population. "The Fed will complain it will bust the budget, and Wall Street will crash." After one luncheon with the Fed Chairman, Reich described an imaginary dialogue in which Greenspan declared himself the champion of "bond traders and [bank] lenders . . . the filthy rich," as opposed to Reich's constituents, who "are just plain filthy—they have to work for a living." Clinton, Greenspan said in the dialogue, will have to reappoint him Fed Chairman in perpetuity. "He needs me because he needs the confidence of Wall Street," Greenspan says. "That's why Bush reappointed me in 1992, even though he hated me for keeping interest rates high. I could do it to your man, too. I could do worse. Clinton will do whatever I want!"

Unfortunately, Greenspan is no mere bankers' boy. The inside story about Alan Greenspan is far worse. Behind the mild-mannered Wall Street suits and quiet tones lurks the deranged mind of an economic terrorist. For 47 years, Alan Greenspan, by his testimony, the testimony of his friends and family, and by the results you can see out your window, has been slowly and methodically acting to rip down the heavy industrial economy of the United States. His spokesmanship for the "leaders of business and industry" has been a facade.

When the lights of New York go out

Since 1952, Greenspan has been the leading disciple of the Russian-born Hollywood writer Ayn Rand, whose 1957 novel *Atlas Shrugged* presents a detailed blueprint for slowly and silently tearing down the industrial plant and infrastructure of the United States, in favor of a "post-industrial" society. The railroads must be ripped up, she wrote, and every machine made to fail. "Plane crashes, oil tank explosions, blast-furnace break-outs, high-tension wire electrocutions, subway cave-ins" were to be carefully engineered over a period of decades. Finally, "when we would see the lights of New York go out, we would know that our job was done."

So ready were Rand's disciples to tear everything down, that even Wall Street free-marketeers were alarmed. "It became evident to me that they were a cult," former *Barron's* editor Robert Bleiberg told *Worth* magazine in 1995. Of all of them, the most serious was Alan Greenspan, whom Rand herself called "The Undertaker" for the deadly earnest with which he embraced her plans.

Ayn Rand, born of an aristocratic family in St. Petersburg in 1905, fled Lenin's Russia in 1926 at age 21, and landed in Hollywood as a script reader for Cecil B. DeMille. For the next 25 years, she read, and then wrote, Hollywood and Broadway scripts for RKO, MGM, and Warner Brothers, all based on an infantile abreaction to communism, in which her heroes glorified their selfish desires as the triumph of the individual. Rand made of this what she called a philosophy, a straight plagiarization of Aristotle's Nicomachean Ethics, in which man is just another animal, a creature of pleasure or pain. Thus, his "moral" duty is to seek his personal pleasure without regard for society, leading Rand to write such tracts as *The Virtue of Selfishness*. St. Paul's credo of agapic love of humanity was the dirtiest of lies, she wrote.

"A is A. . . . Facts are facts," she repeated after Aristotle, "and the only task of man's consciousness is to *perceive* reality, not to *create* or invent it." Man merely receives sensory perceptions from the "objective" outside world, as do the other animals. "Reason" Rand defined as merely "the faculty that identifies and integrates the material provided by man's senses." Man has no immortal soul and creates no abstract ideas, Rand taught, so her followers are ardent atheists. Man only learns to better process the incoming sensory data packets of sight, hearing, and smell, like some flesh and blood computer, which information is used to better satisfy his "self-interest"—his desire for food, sex, and power. This outlook Rand dubbed "Objectivism."

Moving to New York in 1951, Rand gathered a group who sarcastically called themselves "The Collective," because of their intense anti-government philosophy. Meeting every Saturday night for 10 years in Rand's Manhattan apartment, as Michael Lewis reported in the May 1995 issue of *Worth* magazine, the group included Rand and her Hollywood husband Frank O'Conner; their friends Nathaniel and Barbara Branden; Barbara's childhood friend, artist Joan Mitchell, who married and brought in Greenspan in 1952; Leonard Peikoff, who later ran the Ayn Rand Institute; Harry Kalberman, who is still Greenspan's stock broker, and his wife Elaine; and Allan Blumenthal, a psychiatrist who would marry Mitchell after she and Greenspan had their marriage annulled in 1953.

With the aid of the emotional appeal of her semi-erotic novels and scripts, which she had the group read aloud as each was being written, Rand produced a brainwashing environment to rival the later San Francisco Hippies of the 1960s. "After a few months," Lewis reports, "it seemed logical for Rand and Branden to announce to their spouses that they planned to have an affair, just because it served their self interest."

Anatomy of an undertaker

It was an unfortunate environment for the 20-something Alan Greenspan. Born in 1926, he was raised fatherless and poor in the Manhattan of the 1930s Great Depression, and, Lewis reports, after a stint on the saxophone at the Juilliard School of Music, he discovered his first hero, John Maynard Keynes, at New York University. Greenspan became an ardent advocate of Keynes's theory of the Depression, which had so scarred his youth. He received both his BS and MA in Keynesian economics at New York University by 1950, promoting Keynes's theory that government spending, even if it meant paying men to dig holes in the ground and fill them up again, was the cure for all ills.

But the Keynesian theories and his *summa cum laude* were only a superficial belief structure for Greenspan. When Joan Mitchell, who appears to have been his first date, brought Greenspan to Rand's apartment, he announced: "I think I exist, but I can't be certain," Branden told Lewis. The only thing which Greenspan knew, was that he loved to manipulate numbers; numbers, at least, would obey him. "Saturday mornings he loved to wake up and study numbers," Joan Mitchell reports. "He loved being in control of all these numbers." Soon after, their marriage was annulled.

In the brainwashing environment of Rand's salon, Greenspan made a sudden 180-degree switch of belief structures to radical free-market nihilism. In his memoirs, Nathaniel Branden recalls Greenspan's thrill at reading aloud *Atlas Shrugged* as it was being written. "He came alive with excitement no one had ever seen in him before. Shyly and reluctantly he began to yield to the romantic side of his nature. . . . He rarely voiced his feelings about anything of a personal nature, and his language tended to be detached and passive. He might say, 'On reading this . . . one tends to feel . . . exhilarated.' But occasionally he would break down and exclaim, 'Ayn, this is incredible. No one has ever dramatized what industrial achievement actually means as you have. What you've written is a hymn to human intelligence. This is fantastic.' "

Greenspan, since that day, has been consistent in his actions, all of which have been a long-term investment in Rand's project to trash the industrial economy of the United States. To Rand and Greenspan, the post-Depression organization of the U.S. economy represented the tyranny of mediocrity: stupid government officials, trade union bosses, academic hacks, and corporate bureaucrats, who created the society they hate. It is their sacred task, as a small elite of individual geniuses, to tear this Behemoth down and build a new world in their self-image, which they can control, as Greenspan controls his pages of numbers.

For his whole professional life, Greenspan has worked for Wall Street. For much of the period from 1954 through 1987, Greenspan was a partner, and then the head, of Townsend-Greenspan, a consulting firm to New York City's financial community. During 1977-87, he was a member of the board of directors of both Morgan Guaranty Trust and its parent company, J.P. Morgan Bank. Morgan is the top British intelligence operation in the banking community.

Long-term perspective

Greenspan has positioned himself carefully into a position of power, while appearing to play along with the system. But is he, perhaps, preparing to pull the plug?

In *Atlas Shrugged,* Rand chronicles in more than 800 pages, the secret life of Francisco D'Anconia, heir to the D'Anconia Copper fortune, which in the novel controls the world's copper mines, ships, and foundries—without which no electrical wire can be produced. D'Anconia early in the book joins John Galt, a physicist who won't have his work stolen by mediocrities, in a plan to shut down the U.S. economy in order to take it over.

As a copper producer, "I saw the government regulations passed to cripple me, because I was successful, to help my competitors because they were failures. . . . I saw my energy was being poured down a sewer," D'Anconia says. "And then I saw the whole industrial establishment of the world, with all of its magnificent machinery, its thousand-ton furnaces, its transatlantic cables, its blazing electric signs, its wealth—

all of it run by any unshaved humanitarian in any basement beer joint. . . .

"John found the way," D'Anconia said of Galt. "He stepped to the window and pointed at the skyscrapers of the city. He said that we had to extinguish the lights of the world, and when we would see the lights of New York go out, we would know that our job was done." Galt told D'Anconia that he would have to destroy his father's company. Without copper for wire, the world economy would fall apart. "Just think of the railroads," said another of their conspirators. "They'll reach the stage where no day will pass without a major wreck, and the same will be happening in every other industry, where ever machines are used—the machines which they thought could replace our minds. Plane crashes, oil tank explosions, blast-furnace break-outs, high-tension wire electrocutions, subway cave-ins. . . . When the rails are cut, the city of New York will starve in two days. . . . Their factories will stop, then their furnaces and their radios."

Galt simply quits and sets up a secret alternate economy in a Colorado valley, but D'Anconia explains, years later, why he had to stay at the helm of his Chilean corporation and pretend to be a leader of industry. "The Taggert Transcontinental railroad system was a precision machine, which could not function without you or the presence of a few like you," he told his former fiancée Dagney Taggert. "If you quit, the looters would not be able to run it. But D'Anconia Copper was a simple extraction process which they could have run and looted for many years without me." D'Anconia explained

Famous financial bubbles of the past

Speculative financial bubbles are not sociological or economic phenomena, as their history shows. They have been created by powerful financial shysters, who often themselves reap the profits, while the suckers who have bought into the speculative orgy for the sake of "an easy, quick buck" have often lost everything they had, and often so have nations as a whole.

We shall deal here with three of the most (in)famous: the Tulip Bubble, the South Sea Bubble, and the Mississippi Bubble.

The Tulip Bubble

The first famous bubble of this sort dates from the early 17th century in Holland, and was called the Tulip Bubble. Tulips, which arrived in the Netherlands from Turkey in 1593, became a craze among aristocrats within a few years, and soon an object of speculation. Individuals kept bidding up the price of the bulbs, which, in fact, were never even seen by their purchasers. Buying and selling contracts for tulip bulbs in itself became a major business.

The rate of increase in the price dwarfs that of today's stocks for companies that have never made a profit, or even a product. In 1623, a single Semper August bulb (the most valued variety) sold for $525; by 1625, the price was up to $1,575; by 1633, it hit $2,900; in 1637, three such bulbs sold for $16,000. These prices compared to the average annual Dutch income of $79.

By February 1637, the collapse was on. Thousands of investors were bankrupted, many of them members of the middle class, who lost their life savings.

The Mississippi Bubble

Less than a century later, a similar process took place in both England and France, this time linking the finances of the governments into the speculative bubble, and leading to the devastating collapse of the finances of the entire nation.

The infamous John Law, a Scottish gambler with strong Venetian connections, was the author of the Mississippi Bubble, which succeeded in ruining France in 1720. Law established his Mississippi Company in 1717, after having gained permission to establish a French state bank. The Mississippi Company sold shares to the public on the strength of its representation that the Louisiana territories (along the Mississippi) were on the verge of bringing great wealth to the French nation. A massive publicity campaign painted a picture of Louisiana as a land full of mountains of pure gold, silver, copper, and other riches, and peopled by Indians who were willing to hand over these riches to the French at minimal cost.

No wealth ever appeared in France to validate this publicity, of course, because such riches did not exist. However, the Mississippi Company generated a brisk sale of shares, and kept expanding both their number, and the promises for profit. In order to meet the demand for trade in shares alone, Law sought to, and succeeded in, expanding his access to French revenue flows, including a monopoly over the entire foreign trade of France. The price of shares continued to zoom.

In December 1719, the original share price, which had been 500 livres, had skyrocketted up to 40 times that value, or 20,000 livres. Foreigners streamed into Paris to buy and trade shares, and the wealthy nobility, especially Law's patrons, made millions. Many of them, however, realized that he left Dagney and became a drunken playboy, gambling away millions on every continent, in order to systematically destroy the copper company's global operations in person. Being a playboy "was a part that I had to play, in order not to let them suspect me—while I was destroying D'Anconia Copper in plain sight of the whole world." His final act, after bankrupting the company with his jet-set antics, is to dynamite every copper mine on the planet.

Rand and the British gold standard

The parallel between the 1950s world industry's dependence upon copper wire, and its dependence today upon the money-market operations of the Federal Reserve Bank of the United States, should not go unnoticed. While Greenspan had met Richard Nixon in 1968, as a Randian, he refused to enter government service until 1974, when his former economics professor, then-Fed Chairman Arthur Burns, demanded that Greenspan come to Washington. After Nixon removed the dollar from gold in 1971, inflation was raging out of control, and "in Rand's Saturday evening sessions, inflation was as great a threat to freedom as alcohol was to virginity," as Lewis neatly summarized it. Inflation, as Robert Reich had Greenspan explain in their imaginary dialogue, "hurts bond traders and bank lenders" and is therefore to be expunged even if this creates "high unemployment . . . slow growth and stagnant wages . . . and drastic cuts in federal programs that help working and poor people."

Every dollar in Rand's new world must be backed by gold, as it was in the 19th-century British gold standard, because no man or government is to be trusted to create any paper credit whatsoever. Gold, the Objectivists believe, as a real object ("A is A") in the physical world, is the only true store of value—not the creative mental powers of a human being. Since no Randian does anything except for his own self-interest, every action by an individual must be paid for, if not in gold, then in a currency backed one-to-one by gold. That way, there can be no inflation, and the few geniuses who have really earned their money, will never see the value of their money, with which they equate the value of their selves, reduced by inflation. In the last sentence of *Atlas Shrugged,* the hero Galt, instead of the sign of the cross, traces in the air the sign of a gold-backed dollar.

In Ayn Rand's *Capitalism: The Unknown Ideal* (New York: Signet Paperback Books, 1967), Greenspan was the author of Chapter 6, "Gold and Economic Freedom." "An almost hysterical antagonism toward the gold standard is one issue which unites statists of all persuasions," he wrote, in a detailed praise of the 19th-century British gold standard. "They seem to sense that gold and economic freedom are inseparable, that the gold standard is an instrument of laissez-faire and that each implies and requires the other. . . . The abandonment of the gold standard made it possible for the welfare statists to use the banking system as a means to an unlimited expansion of credit.

"In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value," Greenspan concluded. "This is the shabby secret of the welfare statists' tirades against gold. Deficit spending is simply a scheme for the 'hidden' confiscation of wealth. Gold stands in the way of this insidious process, as a protector of property rights." Greenspan agreed to Burns's plea to begin a long journey back to the gold standard. "Arthur not only asked him to go," Judy Mackey, one of the four to whom Greenspan entrusted his economic consulting business, told Lewis. "He told him that it was his duty to go—that it was their last chance to fight inflation." On the morning of Nixon's resignation, Greenspan became Chairman of President Ford's new Council of Economic Advisers. Subse-

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that the game would have to come to an end, and they began to cash in their shares for gold. A massive contraction began, and Law, then the Comptroller of France, had to devalue the currency. By the spring of 1720, Law had been forced to flee the country, and the majority of the speculators and the country were bankrupt.

The South Sea Bubble

A very similar process took place in England, at almost the same time. There, a South Sea Company had been formed in 1711 by Tory party chief Robert Harley, as a means of relieving the government of unsecured public debt, through the profits that would be gained via control of England's trade with Spanish colonies in the West Indies and South America. But, by the end of the decade, the company had been transformed into a center of enormous speculation, and had actually taken over £50 million of debt, the nation's debt, a fivefold increase from the time of the company's founding.

Run by John Blunt, the chief director, the South Sea Company just kept issuing stock in order to increase the flow of funds. Rumors of expanded trade in slaves, as a means of getting wealth for the company, brought in new speculators, and the price of shares skyrocketted in the early 1720s. From £128 apiece in January 1720, to £1,100 apiece in August 1720, the shares continued to rise. The phenomenal profits being made in the trade led to the creation of additional companies which had absolutely no basis for creating wealth, but which shared in the speculative mania.

On Aug. 18, 1720, the bubble burst, and by the end of September, it hit bottom. Not only were major fortunes lost, but Britain itself was plunged into economic ruin, as well as its colonies, while the perpetrators of the bubble itself were given control of the nation's finances.

—Nancy Spannaus

quently, he was appointed a member of Ronald Reagan's Economic Policy Advisory Board and Foreign Intelligence Advisory Board, and then appointed Fed Chairman on Aug. 11, 1987 by circles close to Vice-President George Bush.

Method in the madness

Since that time, as Richard Freeman documents in his article in this *Economics Feature,* Greenspan, as if reverting to Keynesianism or throwing Ayn Rand out the window, has presided over the biggest money-printing, not-backed-by-anything, entirely paper-credit expansion in the history of civilization. During the 1987 stock market crash, which directly followed his appointment, Greenspan flooded the banking system and the markets with paper money, and stopped what seemed to be a bottomless slide. Since his appointment, the U.S. national debt has skyrocketted from $1.7 trillion to almost $6 trillion. Since his complaint that too much paper credit was creating "irrational exuberance" on the markets, when the Dow Jones index was at 6,000, it has now risen to the 10-11,000 range, based on cheap Fed dollar printing.

Has Greenspan gone "Washington," or, like Rand's Francisco D'Anconia, is there a method in his madness?

Look at the policies for the physical economy of the United States which Greenspan, by his own testimony, has relentlessly promoted. Again and again, his speeches praise the "improved productivity" of the "post-industrial information society" based on "technological innovation" in computers, telecommunications, derivatives, and other speculative "financial products" of the global financial markets. "Increased productivity" in rational economics means that one man can, using technological innovation to produce new machines of increasing energy-intensity, increase his output of physical goods, and his power over nature. The end objective of productivity and technological innovation is an advancement in living standards so as to advance knowledge and civilization, as Classically defined by the founder of the school of physical economy, Gottfried Wilhelm Leibniz.

In Greenspan-speak, however, increased productivity means how much *money* an individual in the computer or financial sector can make, in terms of paper dollars of GNP, using technological innovation such as faster computer chips. Food, clothing, and other physical goods—including the computer chips themselves—we now buy, rather than produce, using these paper dollars, from Mexico, China, and other nations where workers work for $10 a week. Ergo, we can now shut down those smoky old American railroads, steel mills, power plants, and other industrial relics, and leave them to the Third World.

"In testimony before this committee several years ago, I raised the possibility that we were entering a period of technological innovation that occurs perhaps once every 50 or 100 years," as Greenspan summarized his last five years of Congressional briefings at the House Banking Committee on July 22, 1999. "Data becoming available this year confirm that productivity growth has stepped up, . . . tremendous advances in computing and telecommunications" have now made "their translation into improved overall economic efficiency. . . . The acceleration in productivity owes importantly to the new information technologies. Prior to this IT revolution, most of 20th-century business decision-making had been hampered by limited information."

The more we shut down factories and increase post-industrial services in computers and financial speculation, the better the economy will do, he went on. "It is this acceleration of productivity over recent years that has explained much of the surprising combination of a slowing in inflation and sustained rapid real growth. . . . The remarkable surge in capital investment after 1993, especially in high-tech goods . . . suggested a marked increase in the perceived prospective rates of return on the newer technologies. . . . That American productivity growth has picked up over the past five years or so has become increasingly evident. Non-farm business productivity grew at an average rate of a bit over 1% per year in the 1980s. In recent years, productivity growth has picked up to more than 2%."

Put aside the obviously faked statistics. Greenspan is claiming this, as the country loses more than 200,000 industrial jobs a year, transportation in urban centers slows to a crawl, storms bring blackouts to major U.S. cities with alarming regularity, and epidemic diseases are on the resurgence.

Indeed, Greenspan went on, downsizing and mass firing of employees in the "century-old" heavy industries has been quite good for the economy. "Business restructuring and the synergies of the new technologies have enhanced productive efficiencies. American industry generally has shared an improved level of efficiency and cost containment through high-tech capital investment. Our century-old motor vehicle industry, for example, has raised output per hour by a dramatic 4.5% annually on average in the past two years, compared with a lackluster 1.25% on average earlier this decade. Much the same is true of many other mature industries, such as steel, textiles, and other stalwarts of an earlier age."

Globalization, Greenspan gloats, has also helped by cheapening wages and increasing layoffs around the world. "In addition, a breaking down of barriers to cross-border trade, owing both to the new technologies and to the reduction of government restrictions on trade, has intensified the pressures of competition, helping to contain prices," he concludes. "While business people must still operate in an uncertain world, the recent years remarkable surge in the availability of real-time information has enabled them to *remove* large swaths of inventory safety stocks, redundant capital equipment, and layers of workers" (emphasis added).

Going for the British gold

While his policies turn the U.S. dollar into toilet paper and shut down the industrial economy, very much as did, unnoticed, Rand's D'Anconia, Greenspan's closest friends also report that he in fact remains true to Rand's goal of returning the United States to a 19th-century-style gold standard. In "Greenspan: Still Going for the Gold," a May 1997 article, and in continuing speeches such as her House Banking testimony this spring, Greenspan's disciple Judy Shelton has repeatedly stated that "for more than three decades Alan Greenspan has endeavored to guide the nation toward sound money. His critics on the right simply cannot appreciate the long-term perspective of Greenspan, who argued powerfully in the 1960s that 'gold and economic freedom are inseparable' and who has steadfastly, albeit slowly, continued to pursue the realization of his intellectual ideals." After quoting Greenspan's 1981 op-ed article entitled "Can the U.S. Return to a Gold Standard?" published in the *Wall Street Journal,* Shelton concluded, "Sound money advocates should take heart these days and realize that Greenspan is following a gameplan laid out long ago."

Addressing the House Banking Committee on May 21, 1999, Shelton stated that Greenspan is in fact aiming to reestablish the "classical international gold standard," in which any individual "can convert paper money into . . . gold as under the old gold standard." She also cited Greenspan's September 1998 Congressional testimony in direct praise of the British gold standard, quoting Greenspan as follows: "Between our Civil War and World War I, when international capital flows were largely uninhibited, discipline was more or less automatic. Where gold standard rules were tight and liquidity constrained . . . this tended to delimit the misuse of capital and its consequences. Imbalances were generally aborted before they got out of hand."

Given the $300 trillion international dollar bubble which Greenspan has created, there is at this point only one way in which we could return to the 1918 situation, in which every dollar created has to be backed by a sum of gold extracted from the earth. It would require an enormous uncontrolled sudden crash of the paper value of all those dollars—the financial equivalent of putting out "all the lights in New York," after which Greenspan and his friends are given the power to reorganize.

Those closest to Greenspan believe that he is just in a "transition period" waiting for that day. "Alan believes that there needs to be a transition period," his former wife, Joan Mitchell, told Michael Lewis in May 1995. "He thinks we will get to where he wants to go—but that it will take time." She added that she had asked Greenspan earlier that year whether he weren't getting a little soft in Washington. "I haven't changed my mind," Greenspan replied. "About anything."

The gold-reserve system vs. British monetarism

What is the difference between a gold-reserve system and the British gold standard? The former is designed to *increase* the availability of credit for productive investment; the latter looks to a deliberate contraction of credit.

On Sept. 22, 1981, as the world was being devastated by Federal Reserve Chairman Paul Volcker's "controlled disintegration," the National Democratic Policy Committee, the LaRouche wing of the Democratic Party, issued a policy statement, drafted under the direction of NDPC Advisory Board Chairman LaRouche, which stated, in part:

"Even at this late hour, the re-introduction of gold into the world monetary system can prevent a major financial crisis and economic depression. The Federal Reserve's incompetent, destructive monetary policy has already pushed the U.S. economy into the second stage of a depression that began immediately after Chairman Volcker's 'Saturday Night Massacre' of Oct. 4, 1979. . . .

"This is a war for the survival of the United States, not—as the Fed has argued—payment for the past sins of largesse committed by previous administrations. America's banking system is already under the dictatorial control of the 'offshore' money markets, which the Fed has transformed into the only source of liquidity available to American borrowers. Remonetization of gold is the step required to win the war on behalf of American productivity and living standards.

"Step one is to remove the gold issue from monetarist incantation over 'market perceptions,' 'inflationary expectations,' and 'monetary control.' Those disciplines which the American financial system requires may be reduced practicably to a single overriding constraint: We must restrict the expansion of credit to those uses which will improve productivity, output, and exports. . . .

"The flaw in the various monetarist proposals for gold restoration is elementary. The United States must conduct a form of economic warfare against an international financial cartel whose principal objective is to have the carcass of the U.S. economy to pick over. Their ally is the Federal Reserve, and their chief operator is Federal Reserve Chairman Paul Volcker. Without the two fundamental safeguards, i.e., *transparency of sources of credit,* and *priority for productive credits,* the United States monetary authorities will have little to say in the management of the monetary system relative to the London and Cayman Islands offshore centers."