Dollarizers out to impose slavery on nation-states

by Cynthia R. Rush

On the front page of the April 9 *Washington Post,* over the headline "Putting Faith in the Dollar," readers were greeted with a picture of a shredding machine, fast at work at Ecuador's Central Bank, they were told, chewing up 50,000 sucre notes of that nation's soon-to-be non-existent currency. As then-President Jamil Mahuad announced on Jan. 9, and as Ecuador's Congress subsequently voted up, that crisis-wracked Andean nation has decided to adopt the U.S. dollar as its currency. To get around the constitutional mandate that the country have a national currency, "sucre" coins, looking strangely like American pennies, nickles, dimes, and quarters, will circulate. "I certainly hope this dollar of yours is everything they say it is," one Central Bank guard told the *Post* reporter. "It better be."

A majority of Ecuadoreans oppose dollarization, correctly suspecting that it won't end that nation's profound crisis. Why not? Because dollarization isn't intended to protect Ecuador's productive assets, including its population, or to create the conditions for rebuilding the economy, as in a properly executed bankruptcy reorganization. Were that to be the case, as U.S. Presidential pre-candidate Lyndon LaRouche has so often explained, the first step would be writing off Ecuador's unpayable debt and other speculation-linked paper that is only a drag on its physical economy.

The priority for the mad financial oligarchs on Wall Street and in the City of London is how to save *their* dying international monetary system, by smashing the sovereign nation-state, and establishing control over a global economy, in which *private* speculative capital, including drug money, can flow unhindered by bothersome government regulations. Dollarization strikes at one of the fundamental pillars of the nation-state, because it wrests control of currency issuance and monetary policy from the hands of a sovereign government, handing it instead over to Alan Greenspan's Federal Reserve. And the brutal austerity conditionalities attached to Ecuador's acceptance of dollarization—privatization, liberalization of the banking sector, and dismantling "costly" labor benefits—will rapidly gut what little remains of its productive capabilities.

As LaRouche stated in January, dollarization is "slavery" and "genocide," and can't be construed otherwise.

Up until Ecuador's decision to dollarize, the great "model" for dollarization had been Panama. Sen. Connie Mack (R-Fla.), the chairman of the Joint Economic Committee (JEC) of the U.S. Congress, who has spent the last year conducting a campaign for dollarization, says that the greatest proof of dollarization's "success" in Panama is its ability to offer 30-year mortgages! Never mind that the "internationalization" of Panama's banking center as a result of dollarization, has made it a premier offshore banking center and drug money-launderer, or that its status as a dollarized country made it a victim of vicious U.S. financial warfare in 1988, against which it had no defense, when President George Bush was trying to overthrow Gen. Manuel Noriega.

As JEC economist Kurt Schuler wrote in an April 1999 paper, "Encouraging Official Dollarization in Emerging Markets," in Panama's unregulated, internationalized banking system, "flows of capital are little more noticeable than they are within the United States." Drug money anyone?

In Argentina, whose economy is unofficially dollarized through a so-called currency board, journalist Victor Ego Ducrot reported in his book *El color del dinero* (*The Color of Money*), the enormous growth of funds moving through the capital markets, which increased from $10 billion in the mid-1990s to $160 billion in 1998, "had, in large part, to do with the increase in drug money-laundering."

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Thanks to legislation passed under the Carlos Menem regime (1989-99), Argentina's banking system was liberalized, and today more than 60% of it is foreign-owned. Argentina's Central Bank estimates that at least $6 billion from drug- and weapons-trafficking, and corrupt deals involving government officials, is laundered yearly. Given impoverished Ecuador's proximity to Colombia, under assault from the narco-terrorist FARC, is there any doubt that Ecuador, too, will turn to narco-dollars for its new money supply?

What other economies are dollarized? East Timor officially dollarized in January. Including Panama, dollarized non-U.S. possessions are the Marshall Islands, Micronesia, Palau, Pitcairn Island, the Turks and Caicos Islands, and the British Virgin Islands. Their combined population is fewer than 3 million, and their combined Gross Domestic Product in 1997 was only about $10 billion. Dollarized U.S. territories include Guam, the Northern Mariana Islands, Puerto Rico, American Samoa, and the U.S. Virgin Islands.

Why now?

These are hardly thriving nation-states. No matter. U.S. Treasury Secretary Lawrence Summers, together with his friend Stanley Fischer at the International Monetary Fund (IMF), and a gaggle of anti-nation-state "experts" esconced in academia, as well as at the World Bank, the Inter-American Development Bank (IADB), the IMF, and various free-market think-tanks, are determined that Ecuador will be only the first of many countries to be dollarized. In his paper, Schuler includes a "hit list" of large nation-states, with sizable populations and GDPs (with the exception of El Salvador), targetted for dollarization. These are Argentina, population 36 million; Brazil, 160 million; Indonesia, 200 million; Mexico, 96 million; Russia, 147 million; Venezuela, 23 million; and El Salvador, 5.9 million.

"In principle," Schuler states, "dollarization could extend to every country in the Americas, Asia, and the Pacific, plus almost all the former Soviet Union and half or more of Africa!" Dollarization, he says, is "a key missing piece in reforming the international financial architecture."

Summers publicly claims to have "reservations" about dollarization. In reality, he is the driving force behind this lunatic scheme, which he began promoting as early as 1992, when he served as chief economist at the World Bank. During a January 1992 conference on "Currency Substitution and Currency Boards," he argued that dollarization were far preferable to even the currency-board mechanism which the British Empire imposed on its colonies. As for seigniorage, the revenue countries generate by issuing their own currency, Summers proposed that "through international institutions," this could be refunded to the countries which opted for dollarization.

"In the long term, finding ways of bribing people to dollarize, or at least give back the extra currency that is earned when dollarization takes place, ought to be an international policy," he said. "For the world as a whole, the advantage of dollarization seems clear to me and I am surprised that it is not a more prominent item on the visionary agenda in this conference."

Summers's advocacy of dollarization is coherent with his efforts over the past few years to steer the Clinton administration away from any positive conception of reforming the international monetary system, along the lines of Lyndon H. LaRouche's "New Bretton Woods" proposal, ensuring that acceptance of the IMF's murderous conditionalities is the only option available to nations such as Russia, Indonesia, Mexico, and Brazil, which suffered severe financial and currency crises beginning in 1997.

Summers et al. began promoting dollarization aggressively, following Brazil's January 1999 devaluation of its currency, the real, which was accompanied by a draconian IMF-dictated austerity program. Brazil's devaluation immediately threw neighboring Argentina into crisis—30% of Argentina's exports go to Brazil—provoking calls for protectionist measures from Argentine businessmen, and the virtual breakup of the Southern Cone trading bloc, Mercosur. There were fears that Argentina might devalue its peso, abandoning the quasi-currency-board arrangement known as "convertibility," adopted in 1991. Brazil's other trading partners in the region were also badly shaken by the devaluation.

The London and Wall Street oligarchs to whom Summers answers, determined that devaluations, exchange controls, floating or crawling pegs, and other "conventional" approaches used to manage the currency crises of 1997-98, didn't provide them the necessary degree of control. While a weakened Ecuador couldn't offer much resistance to the globalist formula, what would happen if the larger economies of Brazil, Argentina, or Mexico did? An analysis of the dollarization debate on March 9 by Stratfor, a news service run by former U.S. military intelligence officials, noted that were Argentina to officially dollarize, this would provide it a "vast inflow of cheap capital to offset the drain to Brazil [referring to the exodus of Argentine companies to Brazil], and partially offset its dependence on Brazil with stronger links to the United States."

Moving into high gear

Dollarization was put forward as a solution when financial and currency crises hit Russia, Indonesia, and Brazil in 1997-98, but was rejected at the time by IMF Managing Director Michel Camdessus and others as unworkable. It was only when Summers became Treasury Secretary in July 1999, that the dollarization offensive went into high gear, although a number of steps had been taken in the wake of the Brazilian crisis to pave the way.

Notably, in January 1999, the same month that Brazil devalued, then-Argentine President Menem proposed to dollarize his own country, and recommended that the rest of Ibero-America follow suit. In the weeks that followed, the Argentine press reported that Finance Ministry officials had,

as early as July 1998, begun talks on the issue with then-Treasury Undersecretary Summers, and that Summers formed part of a working group on the issue in coordination with the IMF and the Inter-American Development Bank.

In an interview with the Jan. 18, 1999 Argentine daily *Ambito Financiero,* Deputy Finance Minister Pablo Guidotti said that Menem's dollarization proposal wasn't a reaction to Brazilian developments, but emerged rather "in the context of high international volatility," underscoring the importance of getting other Ibero-American nations involved.

In April 1999, just after Ecuador's economy began to blow apart, the Senate Banking Committee's subcommittes on Economic Policy and on International Trade and Finance, held hearings on "Official Dollarization in Emerging-Market Countries," whose witnesses included Argentine economist Guillermo Calvo, a former IMF employee whose name is synonymous with dollarization. Another witness, Dr. Judy Shelton of Empower America, assured the panels that "the dollarization option is now being discussed at the highest levels of policy debate in such countries as Mexico and Canada," and that "the United States is compelled to take a position." Shelton insisted that "the populist argument in opposition to dollarization is as predictable as it is despicable, misleading people into thinking that switching to the dollar is an act of political submission rather than economic liberation."

In July, the same subcommittees held a second round of hearings on dollarization, just a week before Summers took over as Treasury Secretary. Ecuador defaulted on its debt at the end of September, and in November, Senator Mack introduced the International Monetary Stability Act (IMSA), which promises countries shared seigniorage, should they decide to dollarize.

In his paper, Schuler stated that to be certified as a good candidate for dollarization, "a country will need to satisfy economic, legal, and political criteria." But, even meeting these criteria won't "give a country a right to seigniorage from dollarization: seigniorage will be a gift of the U.S." So, maybe you'll get it and maybe you won't. Schuler has repeatedly stated that the likelihood of getting a rebate on seigniorage was what finally clinched Ecuador's decision to dollarize.

The IMSA is currently under discussion at the Senate Banking Committee. Papers issued on the IMSA by the JEC state that the legislation is particularly important now, because "a number of countries are already considering official dollarization, including Ecuador, Argentina, and El Salvador. The IMSA would let them know where they stand with respect to U.S. policy."

A little over a month later, Ecuador announced its decision to dollarize.

A global agenda

Mack's IMSA, which he calls "an anti-poverty, pro-development policy," details the globalist methods by which dollarization is to be "encouraged." It was explained in detail by JEC economists Schuler and Robert Stein, at the March 6-7 conference sponsored by the Dallas Federal Reserve Bank, entitled "Dollarization, a Common Currency for the Americas?" The gathering brought together the top gurus of dollarization from both the United States and Ibero-America, among them Argentine and Mexican Central Bank governors (Brazil's Central Bank president, Arminio "Soros" Fraga, was invited but couldn't make it), and a bevy of present and former World Bank, IMF, and IADB officials. Former Argentine President Menem was there too, lobbying for his dollarization plan, with an eye toward being reelected in 2004.

In their paper, "The Mack Dollarization Plan, an Analysis," Schuler and Stein argued that the problem with "conventional approaches" to handling monetary problems in emerging market countries is that "all have in common a reliance on national central banks. Dollarization has attracted interest because it offers the prospect of avoiding the monetary problems that arise under conventional approaches."

That is, dollarization is the mechanism through which the international financial oligarchy thinks it can establish top-down control over the global economy—for its own purposes. No messy exchange controls, such as Malaysian Prime Minister Dr. Mahathir Bin Mohamad successfully used when his country's currency came under assault in 1998. Dollarization "eliminates currency crises and the rationale for exchange controls to support the exchange rate," Schuler and Stein explain. As bad as most central banks are, they still represent a modicum of *national* control over monetary policy, which would be replaced by the Federal Reserve and the U.S. Treasury.

The IMSA's offer to share seigniorage, is contingent on countries' accepting such conditionalities as imposing "budgetary discipline," and opening their financial systems "to full participation by foreign institutions," to make it "part of the huge, liquid worldwide market for lending and borrowing in dollars." London and Wall Street certainly welcome Schuler's assertion that "dollarization in fact encourages internationalization of the financial system." The IMSA gives "considerable discretion to the Secretary of the Treasury in determining how some features, particularly certification, are to be applied," say Schuler and Stein. It is the Treasury, not the Federal Reserve, which "takes the lead on such matters."

But don't worry. The two JEC economists hasten to assure potential candidates that Senator Mack's bill does not reduce a country's sovereignty, "because it does not restrict the ability to dollarize or de-dollarize. Any country can dollarize unilaterally, without the permission of the United States." Although, "that may reduce the chance that the United States will share seigniorage with it." Any country can of course de-dollarize unilaterally, they add, but if the United States had been sharing seigniorage with it, "the payments would cease."