

International Credit by John Hoefle

Death throes of the 'dollar era'

Central bank interventions temporarily stopped the dollar slide, but have done nothing to solve the crisis.

Thanks to massive covert buying of dollars through a variety of private banking channels, the world's leading central banks temporarily stopped the precipitous collapse of the U.S. dollar on world markets as of Aug. 27, only to have it sink again one week later, hitting a new low of 1.3905 deutschemarks per dollar on Sept. 1.

The central banks most heavily involved, in England, France, and Italy, also had a secondary motive, which is to save the Maastricht Treaty on European Union, which will be put to a vote in France in a Sept. 20 referendum.

On Sept. 3, British Chancellor of the Exchequer Norman Lamont announced a desperate plan to bolster the pound sterling by having the U.K. government buy \$14.5 billion worth of deutschemarks and other currencies, and sell them for pounds.

"These arrangements demonstrate once again the government's clear determination and ability to maintain sterling's position," Lamont said.

While Anglo-American propaganda has attempted to portray the weakness of the dollar, the British pound, and the Italian lira as the fault of an overly strong German mark, the reason for the collapse of those currencies lies in the insane post-industrial economic policies which have devastated their respective economies.

The Bush administration has deliberately fostered the impression that it is not deeply concerned over the falling dollar, and that it expects the export boom triggered by the lower dollar to cause a boom in U.S. exports, but this posture is merely an attempt

to paint the crisis in the best possible election-year light. The administration is aware of the catastrophic effect a further drop in the dollar will have on U.S. stock and bond markets, and the pressure it will create for higher interest rates to stem the outflow of dollars from the United States.

Rather than change the economic policy which has created this disaster, the Bush administration is teaming up with the British and French to force the German Bundesbank to lower its interest rates. New York financial insiders have indicated that the Bush administration is determined to use "every means of political pressure" and blackmail to force the Bundesbank to capitulate.

A signal that the campaign has begun came in an editorial in the London *Sunday Times*, linking the current policy of the Bundesbank to the outbreak of alleged neo-Nazi riots in Rostock (see article, page 30).

The bankruptcy of U.S. economic policy was further demonstrated by the so-called economic experts who assembled at Jackson Hole, Wyoming in late August, for the Federal Reserve Bank of Kansas City's annual three-day economic symposium.

Some of the attendees demonstrated themselves to be either totally out of touch with reality, or heartless liars—and maybe both—by claiming that the "slowdown" in the growth of the economy is illusory, and that everything is okay.

MIT economist Stanley Fischer warned that "the prospects for the first half of the 1990s are cause for grave concern," claiming that the govern-

ments know in principle what they ought to do, but lack the political will or the mastery over details to enact proper policies.

Federal Reserve chairman Alan Greenspan complained that the Fed's economic models do not work in an era of little or no growth and falling asset values. "What we need are models to tie down long-term economic processes" through which to view the current short-term problems, he said.

The idea that the Fed itself is a major part of the problem, and must be nationalized and turned into a national bank to fund the rebuilding of the crumbling U.S. infrastructure, was apparently not discussed.

Meanwhile, the Europeans are pulling out the stops to prevent the French from voting down the Maastricht Treaty. Opinion polls show that opposition to the treaty has strengthened since the Danes rejected it in June, with several recent polls indicating the treaty will be defeated. Were the French to defeat the treaty, the international bankers' plans for a Europe dominated by a single European central bank—in effect, a bankers' dictatorship over the entire continent—would suffer a serious setback.

Thanks to an \$87 billion government public works spending program and indications the government will bail out Japan's troubled financial institutions, the slide on the Nikkei has been halted. That lessens the immediate threat that Japan's financial institutions will be forced to liquidate their U.S. real estate holdings, but again, provides no solution.

These matters, and the recent revelation by the Russian government that it will be able to pay only \$2.5 billion of the \$9.8 billion in debt coming due this year, will give the Group of Seven ministers and the International Monetary Fund plenty to talk about at their meetings later this month.