Britain Breaks From Dollar

Western Europe, with the backing of powerful forces in the leading oil-producing countries, has struck back at Rockefeller's war plans by sending the U.S. dollar into the biggest crackup in financial history. Europe's decision was signalled by formal Bank of England action on July 27 to break the British pound sterling away from the dollar, and includes plans to replace the bankrupt U.S. currency with a European-Arab gold reserve system.

Europe and its allies are responding directly to the Egyptian invasion of Libya, launched on direct Rockefeller instigation as the first of a series of planned wars among member-nations of the Organization of Petroleum Exporting Countries (OPEC). The immediate purpose of the Egyptian attack was to physically destroy critical sources of European oil, and eradicate OPEC as a political institution, thereby destroying the prospects for an anti-dollar coalition among the Europeans, Arabs, Soviets and others.

The dollar credit structure is now locked into a final irreversible collapse, triggered by the combination of European political action, and the encroaching rottenness of the system itself. Britain's move to end the 50-year link between sterling and the dollar will be the "Kreditanstalt" of this collapse, the equivalent of the great 1931 Austrian bankruptcy that threw Europe into a panic and brought down the once-mighty British pound.

The Bank of England action came just as world foreign exchange markets were already reeling from the announcement of a record U.S. trade deficit of $2.8 billion during June — a staggering annual rate of $30 billion. Also on July 27, a second haymaker punch hit the battered dollar on the New York stock market, when the leading market average plummetted an incredible 20 points to 888, the lowest point in a year and a half. U.S. investors discovered, as the panicked editors of the *Wall Street Journal* wrote this morning, "the weakness of the dollar...is part of a broader pattern."

David Cries "Uncle"

By the morning of July 28 even David Rockefeller himself was ready to cry "uncle." In a highly unusual eight a.m. personal interview with a *Reuters* reporter, Rockefeller admitted that the dollar collapse was "unhealthy" and called for U.S. central bank intervention.

Similar statements by Federal Reserve Chairman Arthur Burns earlier in the week, signalled that the Rockefeller-controlled Carter Administration is reverting to a high interest rate regimen to "save the dollar" by gutting the U.S. industrial economy. Carter himself demanded in a July 28 press conference that the U.S. be put through the deflationary-austerity wringer, complaining that if Congress had not been so slow to implement his "energy conservation" program the U.S. would be recording a $20 billion trade surplus! (see *Business Outlook*).

This desperate policy shift breathed momentary life into the dollar July 28, as did the dollar's role as a "vehicle currency" — ironically, holders of continental currencies who want pound sterling must first purchase dollars, creating an artificial demand for the currency. But competent foreign exchange analysts readily agreed that the underlying economic realities preclude any more than a temporary respite.

Bank of England Breaks Loose

The Bank of England has made that perfectly clear. On the morning of July 27 the old lady on Threadneedle Street called in the press and coldly stated that the dollar collapse "is due to fundamental economic factors" and "is not temporary." Britain's currency will link up with the European Economic Community in the future, not with the United States, the officials said, since Britain — once considered the world's sickest economy — does not "wish to be linked to the U.S. dollar, which is a deficit currency." This contemptuous proposal that the dollar should find its own way to hell is the most explicit statement of the policy break from governmental quarters, but it is mild compared to the vehement attacks on the dollar in the European press. Nor is it the only move: the French and West German press revealed this week that the two countries plan to rejoin the French franc to the European monetary bloc, the European "snake."

What emerges is a comprehensive European agreement to undermine the bankrupt dollar, and retaliate against the Carter Administration's "despicable, abominable, monetary policy," in the words of West Germany's prestigious daily *Frankfurter Allgemeine Zeitung*. "Bonn is fed up with this money war on Europe," Britain's BBC blared on July 28, in the context of a report that West German Finance Minister Apel has called for an emergency meeting of European finance ministers to discuss the dollar plunge. London's *Daily Telegraph* demanded that its government "cut loose from the shrinking dollar" in an editorial written before the Bank of England action; the next day banner headlines triumphantly announced "Pound Rises 2 Cents as Bank Deserts Dollar Standard."

West Germany's industrial daily *Handelsblatt* scored the Schmidt government for fearfully ducking a confrontation with the Carter Administration over the depreciating dollar, while allowing Fed chief Burns to act as an ostensible European spokesman. *Handelsblatt,* in an article headlined "Behind the Scandal, Official Manipulation is Suspected," further accused the U.S. Federal Reserve of deliberately dumping dollars to drive the rate down and labeled Blumenthal an "elephant in a china shop." European central bankers worry that large corporations will decide to hedge against further dollar losses by liquidating their dollar positions, *Handelsblatt* reported, creating a speculative tidal wave against the dollar.

The West German machine-builders association denounced the "wild west" conditions on the foreign exchange markets and the consequences for West German exports.

French economist Christian Boromée warned in the widely read weekly *L'Express* that "the only countries that are going to survive the monetary collapse are those who prepare for it. We have to defend against the double threat of foreign enemies and internal subversion," Boromée wrote, "and defend our monetary independence at all costs."

The Gold Dinar

The linchpin of the European agreement is a deal-in-the-making with OPEC to replace the Eurodollar mess, now on the verge of dissolution as debt payments from Third World countries fail to come through, and to create a gold-reserve monetary system. Highly reliable Saudi sources report that weeks of desperate wrangling between pro and anti-Carter factions inside the Saudi royal family have been resolved, in the wake of the Carter Administration's military offensive against OPEC nation Libya. Saudi Arabia's $50 billion in financial reserves and $1.5 billion a month in new excess cash are the "big potato," the cash stockpile that Rockefeller is willing to go to war to get hold of.

France's President Giscard, and British financial muscle allied with the Rothschild family, are pushing the Saudis to break with the dollar, and create a gold-backed Arab currency, a "gold dinar." The anti-dollar faction in Saudi Arabia, jointly with the oil-rich Kuwaitis, has decided to demand payment for oil in "gold dinars" instead of dollars in retaliation against Carter Administration plans to destroy them. The immediate effect of the launching of a gold currency, which knowledgeable sources time for mid-August, will be to wipe out the trade basis of the dollar's value. By linking their currencies to gold, these sources report, the Europeans will be able to join a currency bloc on a par with the Arabs.

In addition, according to Saudi sources, the newly created Arab Monetary Fund, the central bank for Arab countries, will be used as a center for long-term development loans to the Third World, expanding the market for Western European exports. The combined impact of these measures, the Europeans are aware, would be to trigger a massive run against the U.S. dollar against the emerging gold currency union.

The combination of dollar collapse and the creation of alternative credit sources would be to institute a de facto debt moratorium on over $500 billion in unpayable foreign obligations of the Third World and weaker industrial countries. The immediate casualty of these events will be the New York banking group and allied Chicago and other banks, who, as the West German daily *Die Welt* wrote July 26, are the "end risk" for the non-repayment of international debts.

Press On The Dollar Collapse

Europe

Following are summaries and excerpts from West European press commentary on the sudden fall of the dollar and related developments:

Daily Telegraph, July 28:

"Sterling Lifts Its Head In
World Currency Arena"

"Many factors played a part in the Government decision to unpeg sterling. One of the more potent may have been worries about the way the money supply is likely to behave over the coming months. The most important question of all, however, is whether the authorities would allow sterling to appreciate against all other currencies if it showed a consistent tendency to do so. That would be another U-turn for official policy. It would mean putting the need to preserve export competitiveness in second place to what many see as the prime requirement, reducing the cost of imported goods in order to lessen inflationary pressures."

Die Zeit, July 27:

"Stop Blumenthal Now!"

The Blumenthal strategy sounds nice, but it is actually reminiscent of a "wild west floating," and has alarmed German industry. If Carter and Blumenthal succeed with this forcing strategy, the government and the Bundesbank will have to rethink their strategy. "If the unrest continues, the Bundesbank should no longer shrink back from massive intervention," and "a few more billions of Deutschemarks would do no harm to the money markets."

Handelsblatt, July 28:

"Behind the Scandal —
Official Manipulation Suspected"

The Treasury and the Federal Reserve Bank have gotten together to force through the Carter-Blumenthal policy. Blumenthal is an "elephant in a porcelain shop," but European bankers are less worried about the devaluation of the dollar as such, as they are about the rate of the dollar's decline, which, they fear, will unleash a wave of speculation. As past experience shows, such speculation is almost impossible to control. Federal