British Pull Coup Against The Dollar

Last week dollar exchange rates once more hit new post-World War II lows against the Japanese yen, West German mark, and Swiss franc. The situation has turned a dangerous corner. Before Dec. 14, it was widely expected that the gravity of dollar-depreciation effects or world trade, plus combined pressure from sane American business elements and from policymakers abroad, would either put the fear of God into Treasury Secretary W. Michael Blumenthal or impel a replacement of him and his "malign neglect" policies toward the dollar. At the Dec. 14 monthly meeting of the Bank for International Settlements in Basel, Switzerland, rumor had it that the U.S. would finally announce to European and Japanese central bankers its cooperation in at least a stopgap transcontinental arrangement for concerted intervention against renewed waves of dollar selloffs.

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Instead, a chagrined Federal Reserve Governor, Henry Wallich, had to relay Blumenthal's message that "the United States will not change its policy to ease the strain on its partners."

The Swiss and Austrian central bank chiefs marched out of the session to make unprecedented press statements on the unacceptability of the Treasury's stance. "Those damned bankrupt British have pulled off a coup against the rest of the world," exploded the chairman of one of Switzerland's largest banks.

The dollar proceeded to fall from an already scandalous low of 2.18 deutsche marks (two months ago the crossrate was 2.30) to 2.13, from 2.13 Swiss francs to 2.06, and from 241 Japanese yen to 237, a drop of almost 3 percent.

It turns out that the rumors that the Treasury would reverse its stand were chiefly circulated by the Treasury itself and its international conduit, the *London Financial Times*, owned by Lazard Brothers of Britian. The idea was to exploit the widespread, wishful common sense expectation that Blumenthal would finally have to do something on the dollar's behalf; the post-Basel shock would then be maximized. The deception operation worked well enough to be followed by another round Dec. 15 — this time through rumors that President Carter would announce some pledge of dollar strength or the reappointment of Federal Reserve chairman Arthur Burns (seen as a blow to Blumenthal). Neither occurred at the Carter press conference, and the dollar lows persisted amidst trading so hectic that banks' foreign exchange dealers said they had difficulty even making trading quotations for the currency from hour to hour.

On the foreign central bankers' end, the "strain" referred to in Blumenthal's dollar-be-damned message to Basel turned into a hemorrhage with the Bank of Japan burning $800 million on the exchanges on Dec. 15, merely resulted — as the *New York Times* — gloated — in keeping the new postwar dollar low from sinking further that day.

The West German central bank, in addition to heavy dollar-buying of its own, announced 100 percent reserve requirements on new foreign deposits in West German banks, forbade foreign purchases of short-term mark-denominated securities, and cut the discount rate by half a percent. These are gestures which have been proven ineffectual as counters to unwanted currency appreciation by the experience of Switzerland and others, and indeed were recently ridiculed by Commerzbank head Robert Dhom and West German savings bank association chief Helmut Geiger. Although the dollar-buying central banks are also trying to deal with their dollar glut by converting the currency into U.S. Treasury holdings, inflationary effects continue on the money supply of West Germany et al., since, it was confirmed last week, the monetary authorities are printing new marks and so forth in order to perform support purchases of dollars.

Scenarios and Accomodations

With pro-dollar and pro-growth forces internationally on the defensive, or, amounting to the same thing, stalling their offensive timetable, the situation has been primed in the wake of Basel for the economic warfare measures itemized in the *Times of London* on Dec. 14. Under the editorial title "Should the Dollar Sink?" the *Times* rendered its jocose *yes* with the prediction that Blumenthal will never support the dollar until West Germany and Japan agree to destroy their trade surpluses, and meanwhile dollar deterioration will ensure that OPEC abandons dollar pricing: everyone should "bow to the inevitable."

The inevitable was further elaborated last week with new confidence by a number of Anglo-American monetarist operatives. Expanded use of SDRs — commonly regarded as a marginal, fictitious increment of world liquidity created to deflect the late-1960s gold push and prime the International Monetary Fund, began popping into the mouths of Treasury and Federal Reserve officials in midyear, well before the precipitous dollar slide. Now the spooks have surfaced with a proposal, in characteristic London think-tank "supranational" idiom. The time has come, they say, to replace the dollar with SDRs for not only oil payments but international reserve holdings (see banking article in

Economics) under the control of a new world central bank designed to permanently decapitate U.S. international economic-growth leadership potential.

U.S. banking and industrial spokesmen who could, if they chose, return such blueprints to the crackpot file in two days are presently reeling and feinting, along with various pro-development, anti-London European spokesmen, by giving *pro forma* credence to the idea of shaping up the U.S. economy and the U.S. trade position through fuel import cutbacks.

The New York *Journal of Commerce* made a Dec. 16 editorial call for "sensible" measures like energy conservation since — as Blumenthal's antagonists among Manhattan commercial banking executives also profess — nothing better can be done to help the dollar, given the present state of affairs in Washington. The 30 leading U.S. corporate heads who visited President Carter last week also tucked in their horns with a plea to curb "government spending." If Exxon is any indication, the oil corporations are on the same middle-road to extinction; V.P. Jack Bennett, best known for his self-reference in 1975 as "fat, dumb and happy," exerted himself in a Dec. 15 wire service release to make a sophistical distinction between the "unimportant" exchange rate of the dollar and its "underlying value," which can be aided by Schlesinger's energy program.

Chicago bankers went so far as to tell the *Chicago Sun-Times* of Dec. 16 that both they and their European counterparts are extremely distressed about the dollar, but had no remedies to offer, beyond sound federal budgets. "We can't do anything until Washington does," said a senior Manufacturers Hanover executive after predicting international dollar "panic." The capper was Bankers Trust economist Gary Gray's fullblown endorsement of the SDR plan in the Dec. 16 *Journal of Commerce* as a remedy for destabilization of trade payments.

This pusillanimity in turn has opened the way for new levels of assault against the U.S. commercial banks, who have trapped themselves in short positions against the dollar instead of taking leadership to save it. Suddenly the *New York Times* and other Anglo-American investment banking organs have discovered the perils of Eurodollar speculation and Third World debt pyramiding; the *Times* of Dec. 17 ran four articles on imminent LDC default — including a front-page autopsy on the Treasury's refusal to bail out Peru's New York banking creditors, and the revelation that no rollover package has come through for Zaire. This week's *London Economist* ran the punch line on its cover: AMERICA: GOING CHEAP FOR CHRISTMAS. The *London Times* had been equally confident and explicit about "turmoil" as the preparatory key to takeover of the dollar sector; the decisive test has arrived for the imperial premise that no one will have the courage and intelligence to take charge, save the dollar, and bring productive order out of chaos through crash-program expansion and export of U.S. advanced technology and development-geared investment.

USLP's LaRouche Denounces Treason In High U.S. Circles

The following critical analysis was issued Dec. 13. by Lyndon H. LaRouche, Jr., chairman of the U.S. Labor Party.

Let us mince no words, the role of USA representatives at the recent Paris monetary conference, the astonishing role of USA representatives at the recent Basel meeting of world financial representatives, the outburst of Ambassador Mansfield at a Tokyo press conference, and the proceedings of the AFL-CIO convention all reflect a pattern of what is in fact high treason within certain leading U.S. circles.

The essential reality of the moment is that merchant-banking circles in the City of London, circles controlling the British Government's policies and directing the activities of British MI-5 and MI-6 intelligence branches, are currently waging economic warfare against the United States. In addition, they are supplementing economic warfare by the use of terrorism inside the United States and other nations, acts which are in fact a form of shooting warfare against the interests of the United States as a nation and as a people.

Although these policies and actions by the dominant circles in London are absolutely contrary to the most vital interests of British industry and labor, the United Kingdom is currently mobilized for war against the United States' interests, and loyal British subjects are correspondingly lending their patriotic support to that war.

In aid of that war against the United States, British circles are utilizing deeply-planted British intelligence networks of influence within various USA policy, military, intelligence and related circles. These networks center around Manhattan financial interests which have been linked to London and Amsterdam for a period extending way back into USA history. Since the days of Samuel Gompers and Victor Berger, British networks of influence in the United States have gone way beyond the outrightly British *New Republic* magazine into what are generically termed the Fabian networks linked to the British-controlled Socialist International and into comparable strata within the leadership of the American trade union movement. They also include the Fabian faction of the Democratic Party, which is to emphasize the Humphrey faction and such Humphrey protégés as Vice President Mondale.

A glance at the composition of the present cabinet