tervention purposes, but to finally give the central banks the resources with which to outgun the speculators (see *Gold*). The view of this author as published in Vol. V, No. 8 of the *Executive Intelligence Review*, that for special reasons remonetization of gold would help, rather than hurt the dollar as usually assumed, is presently shared by a large number of influential people in the Aministration.

The Administration also appears to be leaning in the direction of the viewpoint of this publication, namely that the payments deficit must be corrected on the exports side, and that export-support institutions such as Eximbank, Overseas Private Investment Corporation, and the Commodity Credit Corporation must undergo major expansion. Robert Strauss played down the gains to be expected on the payments side from energy conservation in a breakfast meeting with reporters Thursday. Eximbank President Moore called for long-term, low interest credits to support exports to developing countries in testimony before the Stevenson subcommittee of Senate Banking on Thursday, prompting Sen. Stevenson to demand an Administration study of the problem — and prompting ex-Kissinger aide Robert Hormats, testifying on behalf of the State Department, to climb the walls of the committee room. The Eximbank staff is also reported to favor direct Eximbank borrowing on the Eurodollar markets, to convert surplus dollar liquidity into trade credits.

—David Goldman

Fight To Save Dollar Goes Public

FOREIGN EXCHANGE

Various international forces have initiated a public fight to reverse the decline of the U.S. dollar, and put a stop to the currency dumping raids kicked off by British banks intent on collapsing the U.S. economy. Western European corporations and public officials, U.S. commercial banking representatives, and officials from Japan and Saudi Arabia undertook measures this week aimed at not only stabilizing the dollar, but pressuring sensible layers in the U.S. Administration to adopt longer-term policies adequate to backing up the international reserve currency with strong U.S. industry.

As a direct result of these actions, the dollar ceased falling under British "bear raid" pressure in the early hours of March 6, nervously held to a 2.025-2.035 deutschemark range in Western Europe through March 9.

Informed Western European circles concur with a March 8 report in France's *Le Figaro* that the Carter Administration has been pressured to agree in principle to some kind of stabilization arrangement, pegging the dollar to the deutschemark and yen. Moreover, these circles have revealed that the President and U.S. monetary officials have been told by responsible Western European leaders that the optimal policy for bringing this about is the creation of an expanded Western European currency "snake" linked to central bank gold reserves.

Simultaneously, a consensus is building in informed U.S. circles that long-term resolution of the dollar crisis must be grounded in a government policy commitment to gear up U.S. exports. As shown by an analysis in the Feb. 27 *Money Manager* magazine, U.S. industry has rejected the approach applied to the pathetic British economy — and most recently proposed by former Treasury Secretary Henry Fowler, a Goldman Sachs partner, at an international bankers' gathering in Brussels — that currency depreciation be urged to increase the U.S.

The Dollar: 'Treasury Is Just Not Interested'

A Washington monetary official told an interviewer this week that Treasury Secretary Blumenthal intends to let the dollar collapse:

Q: Did Pierre Longuetin of the Swiss Central Bank propose to Treasury Secretary Blumenthal that the U.S. swap gold to European central banks at market price to support the dollar? What was the U.S. reaction?

A: Look, Longuetin did his best; he proposed that, he proposed all sorts of things. But the Treasury told him to go to hell. They have no intention of using gold, or foreign exchange swaps, or foreign currency bonds, or SDRs, or anything to stabilize the dollar. They intend to let the dollar go as far as it goes.

Q: What about U.S. corporations and commercial banks? Rumor has it that the oil company and Saudi-linked types are especially concerned to keep the Saudis and OPEC in the dollar and are putting some pressure on Treasury...

A: Some pressure, are you kidding, the New York banks are calling up Blumenthal every day to demand he turn the dollar situation around. They tell him the dollar is way undervalued, that all it would take would be one, good quick intervention to turn the situation around and send the dollar back up in the markets. But Treasury is just not interested.

"market share" of exports at the expense of the West Germans and Japanese.

Money Manager guest-writer Adolph Warner proposed that major U.S. corporations and the Administration act jointly to take advantage of the "leads and lags, within multinational corporations and externally...(to effect a) one-time swing in dollar demand . . . A dramatic return of confidence in the dollar would create a gigantic 'bear squeeze' " on antidollar speculators. In a series of attacks on the U.S. Treasury's "let the market take care of itself" policy, Warner states that the Administration must take "positive responsibility for promoting exports and encouraging capital inflows, instead of preaching reflation to a world of nonbelievers."

Warner's approach is an adaptation of the policy proposals issued by U.S. Labor Party chairman Lyndon LaRouche at the outbreak of the dollar crisis in February.

In addition, the reversal of the dollar's fall in the early hours of March 6 happened as a result of a coordinated intervention into the Western European market of exactly the kind Warner outlines. At the opening of the market that day, two private Western European corporations put in an order for more than $500 million, yanking the rate up from its Asian peg that morning of 1.99 marks to 2.05 marks.

Since then, the dollar has been kept within a relatively stable range by purchase arrangements worked out between the West German central bank and private banks, whereby the central bank is buying on the basis of "forward" contracts to resell the dollars in the private sector. Such agreements could only be carried out under the assumption that currency dumping will be kept under control.

The Blumenthal Factor

A major public fight around currency policy has already erupted in Washington and could go public at any time. Treasury Secretary Werner Michael Blumenthal, acting in tandem with another British agent-of-influence, Energy Secretary James R. Schlesinger, is counting on the Schlesinger-prolonged coal strike to drastically depress the U.S. economy and prevent a revival of market confidence in the dollar, before any consolidated dollar support program is implemented.

Pending the mass layoffs and industry shutdowns promised by prolongation of the strike, Blumenthal has cut the Treasury off from any contact with international prodollar forces. According to a Washington monetary consultant, Blumenthal recently greeted Pierre Longuetin, spokesman of the Swiss Central Bank sent to Washington to discuss monetary problems, by telling him "to go to hell." Similarly, "The New York banks are calling up Blumenthal every day to demand he turn the dollar situation around," the source noted, "but Treasury is just not interested,"

Blumenthal's actions represent open sabotage of the intent implied in a March 8 official government statement carried on international wires that recent discussions between U.S. and West German officials had resulted in agreement that the dollar must be restored to a 2.20 mark level as soon as feasible. His ability to undermine the dollar at this time is partly limited by the repeated public statements of Saudi Arabian officials that they will not abandon the dollar for an alternative means of payment under any circumstances. The firm Saudi position has helped to take the wind out of threats issued by British-linked Persian Gulf oil producers, notably Kuwait, that they are preparing to accept SDR's and other fictional substitutes for dollar payment.

Some surprises may be in store on the Tokyo market, where the dollar continued to drop to record lows under heavy trading at close to $1 billion per day. Prime Minister Fukuda has publicly called for "an international cooperative system" to stabilize parities, and it is generally recognized by currency traders that 230 yen could be the cut-off point at which the Bank of Japan will take more aggressive action to clamp down on speculation.

— Renee Sigerson

'To Aid The Dollar, Squeeze The Bears, Promote Exports'

Money Manager *magazine tells President Carter how to "intervene" on behalf of the dollar:*

Any... purist notion of free markets as the final arbiter of the "right" exchange rate ignores the real world of politics. It postulates that sovereign governments abdicate their overriding responsibility for the country's basic welfare — not to mention its economic relations with the rest of the world...

The United States Government has consistently argued against market intervention extending beyond the amounts required to prevent disorderly markets, or to smooth out excessive or erratic swings in exchange rates. This argument dates back to the demise of the Bretton Woods system, and reflects a facet of monetarist doctrine that its opponents like to brand as benign neglect.

More recently, however, it has also reflected a spreading recognition that no amount of intervention can ever substitute for sound policy...

So there is much sense behind the Administration's earlier, but persistent, opposition to stepping up its hitherto sporadic resort to market intervention. This does not, of course, excuse the Administration from its positive responsibility for promoting exports and encouraging capital inflows, instead of preaching reflation to a world of non-believers.

(There have been): Growing complaints about the persistent accumulation of dollars in foreign central bank's reserves. These banks, incidentally, were free to switch any dollars they consider excess into gold on the free market beginning in February.

Foreign fears of the unknown policy implications of the President's choice of G. William Miller to succeed Arthur Burns.

The latent threat of further trade and capital restrictions that have had many observers worried about a possible return to dual exchange rates in some European countries... Are we, then, to conclude that there is no hope for the dollar's recovery?

Hope, indeed, there is — although not certainty...