The facts on the European Monetary Fund

LaRouche offers an antidote to reports by Triffin, the CFR, and others

The following report on the European Monetary Fund was prepared by U.S. Labor Party chairman Lyndon H. LaRouche, Jr. A contributing editor of* Executive Intelligence Review *and one of the world's leading experts on international finance and world financial institutions, LaRouche has played a significant role in the process that led to formation of the European Monetary Fund.

Since I am informed that Robert Triffin and others are preparing or already circulating wildly incompetent reports on the European Monetary System, I issue this report. Any political figure, financial official, trade union official, or industrial executive who receives a report contrary to what I outline here should know that all such contrary reports originate with persons who are either simply ignorant or despicable liars.

1 The European Monetary System is the keystone of a new world monetary system. The other principal elements of the new monetary system are the Arab Monetary Fund and the Tokyo Capital Market. An additional, implicit constituent, the Comecon, is to be included on the basis of the May 1978 Schmidt-Brezhnev treaties and agreements developed within the context of those treaties.

2 The new monetary system will be officially placed in operation on January 1, 1979. Nothing but the prior outbreak of general thermonuclear war could alter that date. Furthermore, the system is already going into provisional forms of operation, provisional institutions and measures which will be consolidated beginning January 1, 1979.

3 The long-standing commitment of the system is to maintain the U.S. dollar as principal reserve currency. However, this role of the dollar depends upon bringing the dollar's value to 3.00 deutschemarks. That dollar-recovery depends upon substantial volumes of increased U.S. exports of nuclear-energy and other high-technology capital goods. The current insanity of the Carter Administration, Congress and principal New York financial institutions is viewed as a temporary aberration which must be bypassed by Europeans and others, pending restoration of sanity in leading United States circles.

4 Using deutschemarks as the currency of reference for the building phase, all the principal currencies, except the British pound and dollar, will quickly reach a *fixed parity.*

5 The new system will be a gold-reserve system, but of an axiomatically different sort from the old London-dominated gold-reserve system. On the basis of the volumes of gold production required for the new monetary system and the costs of production of adequate volumes of such gold with existing mining and refining technologies, the price of gold at monetary-gold open-market prices will converge on 720 deutschemarks an ounce. *Any protraction of the current insanity of the New York banks and Carter Administration will be offset by an acceleration of the role of gold.*

6 Excepting, for a moment, consideration of the future role of the United States in the new system, the policy structure of the new monetary system is as follows. It is a Eurasian industrialized nations' alliance of economic cooperation for *directed*, high-technology economic development of the so-called developing sector. In its industrialized component alone, it is a system of economic cooperation of the Eurasian continent's industrialized powers, from the Atlantic to the eastern shores of Japan. It is the greatest concentration of power of economic cooperation the world has ever known, the greatest economic power on earth—which no force, but thermonuclear war, can resist. This power will proceed to go into full-scale operation beginning January 1, 1979. (It is also—if need be—potentially the world's greatest concentration of strategic-military power.)

Do you wish to join it, or fight it?

7 The North-South, high-technology economic development operations of the new monetary system will center around long-term interest rates of between three and four percent. To aid this, existing foreign debts of debtor-nations will be comprehensively reorganized, in a manner consistent with Pope Paul VI's *Populorum Progressio.* New, low-yield, long-term debt will be offered in exchange for existing debt, according to the precedent of U.S. Treasury Secretary Alexander Hamilton's reorganization of the 1789 debt of the United States. (However, IMF, World Bank, and dubious Eurodollar debt may be subject to debt moratoria.)

U.S. bankers: *Do you wish to exchange dubious paper for convertible long-term, high-grade debt, or cling, bankruptly, to non-performing old paper clogging up your portfolios?*

8 The feasibility of low-interest, long-term credit is premised on the peculiarities of the gold-based system. Liquidity exchanged for gold-denominated (inflation-proof) bonds of new central institutions has a higher yield than 10-to-15 percent yield on paper floating in a market dominated by double-digit inflation. On that basis, easily half of a trillion dollars of churning liquidity in international markets will be sucked into the central lending institutions of the new monetary system at prices permitting 3-to-4 percent yields on long-term credit for Third-World high-technology development in industry, agriculture and infrastructure.

9 The success of the new monetary system centers around the fact that it is *dirigist,* and rejects the anti-capitalist "free trade" policies associated with Adam Smith.

Bankers: You have the choice of accepting a dirigist system or joining "free enterprise" in bankruptcy. ("Free enterprise" of the anti-American sort prescribed by the Hapsburg-linked, pro-feudalist Mont Pelerin Society, will vanish from the markets through the free-competitive processes putting the advocates of such "free enterprise" into the bankruptcy they bring upon themselves with their own lack of intellectual fitness to survive.)

So, line up to join the European Monetary System—those among you who have the brains to do so.

10 Although the design of the new monetary system is governed by sound economic principles, the reason forces led by President Giscard d'Estaing and Chancellor Schmidt have followed this course is their determination to avoid what they correctly view as the virtual inevitability of general thermonuclear war flowing from the policies currently adopted by the Carter Administration and the Republican National Committee. Only generalized high-technology progress in agriculture and industry throughout the developing nations can prevent Kissinger's Middle East, African and other policies from leading the world into general thermonuclear war during some point within the span of the medium-term. Hence, one must judge the increasingly resolute temper of continental European leaders and others in ridiculing, denouncing, and opposing the current lunacies, such as the "Camp David" delusions of the Carter Administration, and the insanity prevailing around G. William Miller and most of the New York financial institutions at this moment.

They will not be bullied into accepting the Carter Administration policies—since there is no greater threat than the general thermonuclear war which would result from tolerating current Carter Administration and Mont Pelerin policies.

In light of these facts, Robert Triffin and the New York Council on Foreign Relations should either cease peddling their nonsense on these matters—or should be ignored by all sane policymakers in public and private walks of life. Perhaps if you sensed how proximate to the thermonuclear destruction of the United States the Carter Administration's current policies are bringing us, you would join us in rejecting the sort of insane babbling Kissinger, Schlesinger, Blumenthal, Miller and too many others are currently pouring out.

—Lyndon H. LaRouche, Jr.