

ing the blame off themselves by appearing to endorse its early implementation.

The strategy is to take advantage of the "dumb giant" United States and especially of London's control over U.S. economic policymaking to wreck the EMS through manipulated dollar crises. The failure of the EMS could then be blamed on the U.S. for contributing to currency instability while refusing to pursue the required deflationary policies. The dollar collapse, on the other hand, could then be pinned on the Europeans who had put together an "antidollar" bloc.

London's new line on the EMS was enunciated for public consumption by Lloyds Bank Chairman Sir Jeremy Morse, a former director of the Bank of England and of the International Monetary Fund. Morse cut through the fog on the EMS issue by asserting "I personally am quite clear that Britain should be involved from the start for our own good and Europe's good." In his speech before the Royal Institute for International Affairs, Sir Jeremy explained that British membership in the EMS would be "good for Europe" because sterling could be "a significant stabilizer in the currency mix." It would be good for Britain because it would reinforce the government's anti-inflation (i.e. austerity) policy and it would benefit the Common Market because Britain

could "work for advantages in other areas of Common Market financial policy and help to rebuild a better base for the world economy." The EMS would also be able to create a major reserve pool for medium term credit and the "embryo European currency unit could one day rank as a world currency alongside the dollar."

Within three days of the RIIA meeting, City of London bankers by the score had changed their views on the EMS. Appearing before the Commons Select Committee which is considering the technical questions of EMS membership, Anthony Tuke (chairman of Barclay's bank) and Robin Leigh Pemberton (chairman of National Westminster Bank) joined Sir Jeremy to extol the new system's virtues.

Britain's moves to steer the monetary system to London's ends will not be permitted by the French and West Germans, however. Schmidt's government took a major step in integrating the U.S. into his program via support for the dollar by having the West German central bank, the Bundesbank, purchase the first-ever issue of U.S. Treasury notes denominated in deutschemarks. The Bundesbank gave deutschemarks in return for the notes, giving the U.S. a war chest to support the dollar.

—Marla Minnicino

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## 'The EMS means growth — the opposite of what Britain's achieved'

*The economics section editorial in the Nov. 6 Frankfurter Allgemeine Zeitung, was titled "They're out to enslave us": How the British view Europe," by Jochen Rudolph:*

Whenever England faces the question of joining an international economic alliance, half her politicians scream bloody murder. This was the case over entry into the European Community — and the lamentations still continue. It is now once more the case, now that a link with the new European Monetary System is up for discussion. The protests are not confined to a single political group, but the spokesmen and a large part of their following come from the left wing of the Labour Party.

They are not prissy about their choice of words. The Germans want to "cripple" their inter-

national competitors with the monetary system, left-socialist energy minister Benn recently charged . . . These days the Fabian Society, so rich in tradition, a group devoted to the peaceable attainment of socialism, has also begged leave to oppose the European monetary plans . . .

In the midst of political debate, nobody with a hide of average thickness would dwell on a couple of harsh, extreme expressions. But in this instance the actual economic state of affairs has already been stood on its head for years, and an entire nation has been deceived . . . Their stubborn insistence (about British autonomy from Europe — ed.) enables them to forget that the free flow of goods, capital, services, and manpower across the borders — something partially achieved and partially

still sought after — has given a powerful impetus for the Community's economic performance, resulting in lower prices for innumerable goods.

### British economy: a "sick dwarf"

They forget a great deal more: for example, that under the influence of Keynes's epigones they have for 30 years conducted . . . incessant rounds of artificial state heating-up and cooling-down of the business cycle. Their legendary "stop-and-go" policy has mutilated their once weighty and admired industrial sector into a sick dwarf . . . Yet they talk about the utmost jeopardy to these "heavenly" conditions if the European Community requires some sacrifice of sovereignty. Suddenly everything looks endangered . . .

If within a European monetary association they were now to lose the privilege of adjusting their currency parities — read: further devaluation of the pound sterling — the "last possible escape route

# Schmidt spokesman on the theory of the EMS

Executive Intelligence Review correspondent Muriel Mirak interviewed Armin Grünewald, the official Economic spokesman of the Chancellor of West Germany, on the European Monetary System, while Mr. Grünewald was accompanying his boss,

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## EXCLUSIVE INTERVIEW

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Chancellor Helmut Schmidt, on a trip to Sienna, Italy, Nov. 1. It was as a result of Schmidt's discussions with Italian Prime Minister Giulio Andreotti in Sienna that Italy announced it would join the European Monetary System.

In frank and forthcoming comments to our correspondent, Grünewald took pains to debunk the claim that the EMS might harm the dollar, and vigorously stressed the benefits the system would yield for the entire world community. And he also discussed in

depth the theory on which the EMS's architects have based the new economic organization.

**EIR:** Mr. Grünewald, let me make my position clear from the outset: the magazine I represent supports the ongoing European Monetary System arrangements in the interest of monetary stability, economic cooperation, and growth. We have dedicated several lead articles to the EMF (European Monetary Fund — ed.). One of our immediate concerns, in fact, is that American businessmen, bankers, and politicians have the facts on the EMF. As you know, one of the major problems facing the EMF is American ignorance or misunderstanding of the effects it will have on the dollar. Yet, at the same time, the measures being taken by the Carter Administration to defend the dollar will have the opposite effect. Deflation, raising the prime rate and so on will not save the dollar. What do you think?

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from the danger of German economic domination would be closed off." These politicians have not only eccentric ideas about economics and economic policies, but evidently have a deranged relationship to the outside world as well. With a certain lessening of their arbitrary control over their economic affairs, they would be spared a good deal of their inflation and unemployment; they would get an external strengthening of their currency, and a body politic would come into being that would enable them to confidently forget about their "welfare state."

... For decades, minus any European responsibility for it, a large-scale, government-primed annihilation of capital has taken place in England. The planned European monetary system is certainly no ideal solution of international problems. It is an effort to occasion greater monetary discipline in countries which have allowed their currencies' values to decline domestically and abroad.

More monetary discipline can generate more exports and more domestic purchasing power. Both mean greater employment, and increased jobs — the opposite of what England has achieved up to now with its frivolous monetary policy and its multiple devaluations. It is naive to think that anybody whatsoever is slated for an economic yoke. The Labour left can tuck away its runny pocket handkerchiefs.

### 'With or without Britain'

What follows are excerpts of an article by Le Figaro's chief economist, Alain Vernay, published Nov. 9 under the title, "The Birth of the European Monetary System, With or Without England."

It seems that the cards have been played and that England will not accept the European Monetary System which will be put in place in the first days of January. . . . So the

conditions will be united for a new crisis of the pound comparable to that of the year 1975 . . . As soon as it has a daily value vis-à-vis the dollar, it is the ECU which will be the butt of speculation. Great Britain will thus try to benefit by being the arbiter of the great monetary disorders, even if it can no longer hope to be the arbiter of the great political disorders which used to result from the division of the continent.

It is estimated in London that to not join France and Germany is to profitably play the devil's advocate by accelerating the formation of a diumvirate which, very quickly, will annoy the other Europeans, even though they today are pleased with the accord between Paris and Bonn. France, it is said on the other side of the Channel, will not be able to take the prolonged discipline which the EMS implies, and will have to secede from a system which more and more resembles a super-snake. . . .