

Shades of 1974

The same voices are chorusing for dollar collapse and terror

Predictions by Prof. Robert Triffin before the Council on Foreign Relations on Nov. 24 of an international banking collapse if the world does not hand itself over to the International Monetary Fund are only one example of statements circulating on the international scene that remind us of 1974. *Le Monde* is recalling the Herstatt disaster. The same British investment bankers who commented sadly on the early demise of the New York international banks back then are full of fresh scenarios for the dollar, the U.S. economy, and the Eurodollar market.

Back in October 1974, Federal Reserve Chairman Arthur Burns ordered the banks to shut off lending, and collapsed the bubbly U.S. economy in the worst-ever wave of layoffs and credit contraction. That is precisely what *The Wall Street Journal*, Salomon Brothers, and the entire British press are demanding (although it is doubtful whether Miller has the political sway to do it). What knocked out the economy was the combination of the Eurodollar credit contraction provoked by a series of British special operations, including the collapse of the Herstatt, Franklin National, Sindona, and Mossad's own Banque du Crédit Internationale — plus Arthur Burns.

The scenarios passed along to the *Executive Intelligence Review* by willing British banking outlets run along similar lines. We will not take the trouble to print most of them. At this point, given the overwhelming strength of the Europeans and Japanese in the international markets, the likelihood of their success is small, even if

American bankers behave in the stupidest possible way. Assaulted since the inception of the Carter Administration, the American economy, like Rasputin, is refusing to collapse.

However, there is a darker side to this business. October 1974 fell in the middle of the Patty Hearst affair, run through the same professional mind-control networks responsible for the Jonestown horror, documented in this issue. A strategic turning point not unlike October 1974 is in the making. Then, as now, the U.S. Administration is opting for an austerity policy that is horrifying sections of the business com-

munity, when it should be taking aggressive steps out into the international markets. In 1974, the U.S. financial community took it on the chin from Burns, made a deal to keep bankrupt London functional at the expense of everyone else, and then took the consequences in the form of recession. The same London journals are saying the same things they said then. The world situation is immeasurably more stable, due to the efforts of our European and Japanese allies. But the dangers brought on by continued display of American stupidity are in the most important respects infinitely greater.

— David Goldman

The EMS will be ratified — but without Britain

The European Monetary System is slated for ratification Dec. 4 at the European Community heads of state summit — with Italian membership, but not British. The UK government has finally made an official announcement that it cannot join an EMS which would require a pound sterling devaluation and will supersede the British-administered International Monetary Fund.

But, in a substantive victory for Franco-German EMS diplomacy, the Italian cabinet meeting Nov. 28 granted Christian Democratic Premier Giulio Andreotti full powers to consummate Italian entry Dec. 4; Andreotti has in-

formed Luxembourg and Holland that he will do so, pressing for rapid EMS funding of regional development. Despite the anti-EMS stance of the Italian central bank, and a Nov. 29 statement by the British-controlled Socialist Party that “the presence of Britain is needed as a condition for making valid an acceptable compromise on the mechanisms of the EMS,” Andreotti's policy now has the full backing of the previously reluctant Communist Party. General Secretary Enrico Berlinguer endorsed the EMS in a recent *Unità* interview on the grounds that the EMS will serve as a vehicle for the Third World economic development he

termed essential for further growth in the advanced sector.

West German Chancellor Helmut Schmidt has continued to consolidate domestic support for the new system. On Nov. 29 and 30, he made a virtually unprecedented appearance at sessions of the Bundesbank's council and board of governors, at the invitation of central bank president Otmar Emminger. Schmidt is expected to mop up any stubborn pockets of opposition to the EMS by explaining that despite fears about violating the Bundesbank's "autonomy," the system is the only way to ensure stable banking and currency relations, by financing growth and rescuing the dollar's reserve role. At the board meeting, Emminger, initially an EMS opponent, told a press conference he is "as good as convinced that the EMS should go through" — risks, he added, must be accepted to accomplish anything important.

The board spokesman for one of the Big Three West German commercial banks, Robert Dhom of Commerzbank, was quoted in

the Nov. 29 business daily *Handelsblatt* with a newly unqualified endorsement of the EMS. It is "primitive," he said, to call the EMS "an inflation machine" (the Milton Friedman-Mont Pelerin tag). The EMS, he added, will go into effect "with no problems" Jan. 1, minus Britain; he called for full implementation of the European Monetary Fund reserve pool "as soon as possible."

Britain disrupts

The British government meanwhile has finally issued a "Green Paper" on the EMS. It concludes that a pound devaluation is unacceptable, the EMS's fixed-parity system is undesirable, and EMS adaptation to the IMF is essential. As the *Daily Telegraph* and *Observer* of Nov. 27 reviewed at length, the Callaghan government will not accept the rational downward pegging of overblown sterling exchange rates entailed by EMS membership; but — "between a Scylla and Charybdis," as the *Observer* accurately if unoriginally put it — the

very confession of weakness signaled by staying out of the EMS will trigger a run against the pound.

To console itself, Britain accomplished two direct EMS disruptions: its representative Jon Silkin put forward impossible demands at the latest international fishing rights conference, which shut down the meeting. And, most important, the British-dominated European Commission in Brussels wrecked talks on trade and economic relations with the socialist-sector Comecon group, insisting that Comecon not be given rights equal to the European Commission's to negotiate for its members. The prelude to the Bremen EMS inauguration had been Schmidt's gigantic economic agreement with the USSR last May, paving the way for Comecon liaison with the EMS. This setback is of course far from irreversible, especially as EMS plans proceed to curb the Brussels Commission's wrecking capacities.

— Susan Johnson

"The proposed European Monetary Fund is a subject which has not been properly recognized anywhere in this country. Business leaders should take advantage of Mr. Goldman's appearance to find out the facts behind the proposal... I plan to attend — I invite bankers and corporate executives to do likewise."

Robert M. Perry
Executive Director
Michigan Banking Association

DAVID GOLDMAN is economics editor of the *Executive Intelligence Review*. Through the work of Mr. Goldman and his staff, the *Review* has scooped other U.S. press and economic analysts repeatedly in coverage of the European Monetary System. Mr. Goldman has interviewed top executives at dozens of leading American Banking and industrial concerns, and led the *Review's* team in on-the-spot coverage of the recent International Monetary Fund meeting in Washington, D.C.

COSTAS KALIMTGIS is a contributing editor to the *Executive Intelligence Review*. Mr. Kalimtgis is recognized as one of the economic theorists responsible for the formulation of the International Development Bank policy which serves as the model for the European Monetary Fund proposal. Mr. Kalimtgis is also the coauthor of the soon-to-be-released book, *Dope Inc. — The World's Biggest Business*.

A seminar on 'Saving the dollar — the Facts behind the European Monetary System'

featuring

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Contributing Editor, Executive Intelligence Review

and

David Goldman

Economics Editor, Executive Intelligence Review

Thursday, December 14, 2:00 PM

Renaissance Center

Detroit Plaza Hotel, Renoir Room, 4th floor
Detroit, Michigan

Seminar information requests should be sent to:
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