not happen. That underscores his concern about domestic inflation rates in France, where export orders have been flagging, and where the Barre government economic program has failed in its effort to generate capital investment in an austerity environment (*Executive Intelligence Review* will publish a survey of the French economy in April).

The Royal Institute of International Affairs circuit, the London *Economist,* and the U.S. National Security Council have all spelled out predictions of government turnovers in France and West Germany before summer. In the West German case, Emminger's austerity strategy begins, on the political end, with the ascension to power of Britain's Tory opposition leader Margaret Thatcher, according to sources close to the central bank governor. An aide said, "We are all waiting for Thatcher." Right-wing leaders of West Germany's Christian Democratic Union identify Thatcher as "the leader of our movement."

Often, British predictions of European government crises are wishful thinking. In this case they are probably accurate, presuming that the current policy drift continues. France, already suffering significant internal political disturbance after major steel layoffs in Lorraine, cannot afford politically to have a major round of layoffs in the heavy industry sector, and cannot afford economically to avoid it.

Thatcher's election to 10 Downing Street, apparently ensured by the March 28 vote of no confidence in Prime Minister James Callaghan's Labour Government, could become emblematic of a European-wide wave of austerity. The March 29 meeting of the Bundesbank's central bank council is expected to announce a tightening of monetary policy in West Germany. Emminger himself more or less predicted this in a March 27 article in the Düsseldorf financial daily Handelsblatt (see page 9).

Thatcher's game, from the British side, has already been announced in the London financial press: the key to her financial strategy is the removal of exchange controls that now prevent domestic holders of sterling assets from investing directly in foreign securities. Currently, they must pay a 40 percent premium to buy dollars from a restricted investment pool. Thatcher intends to open up a flood of British investments into cheap — but strategically placed — American banking equity. Since the Bank of England will intervene to maintain a fairly stable rate for sterling despite the outflow, it will convert a significant portion of its exchange reserves — some analysts believe up to $10 billion — into sterling to permit sterling holders to make major dollar investments.

First on the list of such investments is American commercial banks, judging from the tenor of discussion at a conference on Banking in America held in London last week. The conference, sponsored jointly by the Washington-based Government Research Corporation and the City of London Business School, featured, among others, House Banking and Currency Committee Chairman Henry Reuss and Controller of the Currency John Heimann. Reuss said simply, "If we want to attract dollars back into the United States, we must give foreigners something to buy," referring to American commercial banks. A poll by *EIR* of state banking associations in the United States shows that many regional banking groups are suppressing their hostility to a wave of foreign takeovers for the simple reason that many of their members want to sell out to British buyers.

— *David Goldman*
Economics Editor

German economist warns of coup in Saudi Arabia

This report has been sent to Executive Intelligence Review *by Mr. E. R. Schmidt of the Federal Association of Economic Advisors (Bundesverband der Wirtschaftsberäter) of Bavaria, West Germany. We publish it without comment:*

From a professional source which cannot be identified, I learned recently that certain requests for collateralization have been brought up by financial institutions, clarifying without doubt a certain momentary fear which I can also confirm from my activity as economic advisor and business manager of the Federal Association of Economic Advisors for Bavaria. In the cases of loan bookings with only limited credit reliability, the major German banks have even expressed a demand for additional collateralization, citing explicitly political circumstances.

I personally take the standpoint that through these credit policy measures, the danger which is addressed in consideration of a coup in Saudi Arabia — however great the danger may be — may only be aggravated. If the western world wants to avoid an oil crisis — completely unpredictable in its consequences — and wants to aid Saudi Arabia, certainly a proven valuable ally in the past, then the West must, everywhere and with full clarity, declare its support for the presently governing administration. Otherwise, without question, the growth of power by the coup-backers will be unstoppable.

It is not decided whether the development will be promoted by the interests of the dueling parties behind the battle around the monetary system; without doubt, each will use the situation for his own goals.