

A world SDR standard?

May 6 BIS meet to map restructuring of Eurodollar market

The May 6 meeting of world central bank chiefs at the Bank for International Settlements in Basle will become the forum for the count-down to phasing out the U.S. dollar as the international currency, Washington Federal Reserve sources said April 26. The meeting will secretly debate a report, "Reserve Requirements for Eurocurrency Deposits," written by Fed Director for Monetary Policy Stephen H. Axelrod and Fed International Finance Director Edwin M. Truman, that calls for a total restructuring of the international dollar

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market aimed at forcing large-scale private bank unloading of dollars and central bank "substitution" of dollars for the Special Drawing Right (SDR), of the International Monetary Fund (IMF).

Interviews with Fed, Bundesbank, and other international banking officials have revealed a composite picture of a two-stage process for this "controlled disintegration" of the world dollar market. First, the greater cost of reserve requirements imposed will force U.S. banks to massively "pull in their horns" from the \$800 billion Euromarkets, gravely weakening their international lending structure and causing an unprecedented run on the U.S. dollar. Then, prepared in the background will be the European Currency Unit (ECU) as an alternative currency, following which, as one West German financial analyst put it, "*The SDR will be brought in on the back of the ECU.*"

That is, the European Currency Unit (ECU), designed as a mere accounting device through which the European Monetary System was originally designed to *strengthen* the U.S. dollar by recycling billions of dollars internationally for world technological development, will under this schema actually be printed up, circulated, and twisted into an "alternate currency" to replace the dollar. ECU accounts in turn will eventually clear through the IMF, thus bringing the entire world onto an SDR standard.

Perhaps the shock of this extremity of discussion at this

high level will convince the New York banking community of what this magazine has been warning for over two years: Britain is out to reconquer the U.S. by destroying the dollar. We are now witnessing the playing out of the "1980s Project" of the City of London-dominated New York Council on Foreign Relations, written in 1976 for and by insiders who later became the Carter Administration—including Werner M. Blumenthal, Richard Cooper, and Cyrus Vance. In the International Monetary Policy paper of the Project, British economist Fred Hirsch wrote: "Controlled disintegration in the world economy is a legitimate objective for the 1980s."

Hirsch went on to describe a world in which the thought of Alexander Hamilton and Friedrich List, who stood for central banking to direct credit toward the highest technology in an economy to provide its most efficient development, would succumb in disintegration to the "liberal" thought of Adam Smith, in which *credit would be rationed away from industry* to halt the dangerous spread of technology. But once other nations each liberally and "democratically" shut down their own credit systems, Britain, with its superior money markets, would rule world trade, Smith also wrote.

As the monetary medium to implement controlled disintegration, Hirsch wrote, London-trained economist Robert Triffin's plan for regional currency blocs must be implemented. After Lord Keynes of the British Treasury failed to take the world off the dollar standard and put it onto the "bancor" unit he proposed for the IMF at Bretton Woods, Triffin in 1947 proposed a "Europa" for Europe, and similar Latin American, African, and Asian regional currency blocs. Each was designed to enforce credit austerity on these regions—so they would disintegrate in a controlled manner—and eventually be forced to clear payment amongst themselves through the London-controlled bureaucracy of the IMF.

A spate of meetings

Meetings on the dollar's demise have continued since April 18, when the Group of Five major western nations' Finance Undersecretaries, led by U.S. Treasury

Deputy Assistant Secretary Lisle Widman, met in London and resolved on the need for an international summit to lay out the transition to "SDR substitution" for the dollar. Then, Luxembourg Central Bank President Jaans and other European central bank chiefs flew hurriedly into Washington for a secret meeting April 26 at Stephen Axelrod's Fed office to discuss the SDR in the context of the "total and rapid restructuring of the Eurodollar market," Luxembourg banking sources told *EIR* Wiesbaden.

New York Fed President Paul Volker, the leading U.S. protégé of Fred Hirsch, detailed how the ECU will be made to serve as Triffin's Europa at the April 21 Columbia University International Monetary Conference, sponsored by the Anglophile Dillon Read investment bank. "What would be the effect on the dollar," he asked, "if the ECU were made into a really attractive financial asset?" Conference participant H. Gutovski, president of the Hamburg Weltwirtschaft Institute, reporting on this, told *EIR* Wiesbaden that Volker had in mind exactly Triffin's proposals for the ECU. Volker acclaimed the "piecemeal elevation of the SDR as a reserve asset" and predicted that by year's end, the IMF substitution account would go into effect. U.S. Treasury Undersecretary Robert Solomon and Assistant Secretary Fred Bergsten agreed with Volker there.

This intensity of Anglophilism from the U.S. Central Bank and Treasury itself has been enough to allow the British tendencies of West German central bank chief Otmar Emminger and his deputy, Karl Otto Poehl, to prevail over Chancellor Helmut Schmidt's desire to use the EMS rather to save the dollar. As our International Credit Market Column details, "The West Germans will never go against the IMF," a source close to Poehl told *EIR* April 25, "because the U.S. has made German adherence to the IMF a direct issue of the strategic alliance with the U.S. itself. The SDR is therefore ... a process ... somewhat down the road, but the ECU is a different story, more immediate, in the Bundesbank's viewpoint. The SDR will be brought in on the back of the ECU."

The Bundesbank's latest monthly report, accordingly, claims that the current state of world banking through the dollar constitutes "over-recycling" through commercial banks, and should be shifted instead through the IMF directly. The source close to Mr. Poehl commented on this that "Although up to now the Bundesbank has made no comment on the substitution account, all they are waiting to see is whether the U.S. is really ready to support the SDR."

—Kathy Burdman

ABA talks about U.S. credit plans

Executive Intelligence Review conducted the following interview with a spokesman for the American Bankers Association in Washington, D.C. on Sen. Jesse Helms' efforts to repeal the Credit Control Act of 1969.

EIR: *Why did Senator Helms introduce a bill to repeal the Credit Control Act? It's been around since 1969.*

ABA: There has been some talk in the Administration about targeting particular areas of credit for control. No one has talked about across the board controls, however.

EIR: *What provoked the 1969 bill in the first place? As I understand it, the Administration had not even asked for it.*

ABA: Well, there had been a credit control act which was used during World War II and the Korean War, but it had expired. The 1969 act was a resurrection of that. It was drafted at a time when there was consideration of using credit controls to prevent further conglomerate mergers. You remember, that was a time of major conglomerate activity, and the

idea was that huge amounts of credit were being expended for these takeovers which were not productive in that they were not increasing the GNP.

EIR: *Is that what the current Administration is interested in?*

ABA: I have heard talk on two points. First, to control credit for these four and five year new car loans, which is a relatively new phenomenon. And second, to control credit for the financing of hostile takeover bids. But the previous idea is probably kicking around, too. The point is to ascertain when credit is being used unproductively.

EIR: *What is the Fed's position?*

ABA: The Fed, and Miller, have said that they do not support the implementation of the Act. However, I don't know if they would go so far as to support its repeal. The Administration has not made its position known.

EIR: *And the ABA?*

ABA: We will be meeting this week on whether to testify at the Helms hearings and what our position will be.