EIR Economics

British assault U.S., France, Japan to defend IMF system

by Anthony K. Wikrent

The International Monetary Fund and World Bank held their annual shindig in Washington during the second week of October. It was another futile exercise in fleeing from reality, with the IMF declaring that "confidence has been quickly restored in all but a few" developing countries following the monetary collapse of Mexico last December, and some of the transition countries in eastern Europe "have now clearly turned the corner and are enjoying robust growth." But new currency turmoil in Europe; the series of shocks emanating from the Japanese banking system; the insanity of the U.S. budget deficit debate, with the Republicans' threat of U.S. default; the economic devolution of Mexico; and perturbations in international stock markets, all belied the rosy delusions of the reported 25,000 attendees at the meeting.

The real historical drama is London's attempts to create a row between the United States and Japan over the Daiwa Bank issue, and to topple French President Jacques Chirac by smashing the French franc, at the very time that the death throes of the world financial system requires the closest possible collaboration among governments.

The growing hysteria among British and American financial elites reflects the fact that what is paramount is the deepening bankruptcy of the dollar credit system, and of the U.S. government itself, and whether sovereign nation-states or international financiers will emerge triumphant from the rapidly approaching cataclysm.

While the IMF and World Bank were reveling in their self-congratulation, the U.S. stock markets lurched downward suddenly on the first two days of the meeting, Oct. 10 and 11. Circuit-breakers on the New York Stock Exchange were triggered, halting computer-directed program trading, to prevent a meltdown. At the same time, the foreign exchange markets were roiled, as a new assault was unleashed on the French franc, by the City of London.

The British are upset that President Chirac has turned his back on the new Entente Cordiale the British had erected against reunified Germany, and thrown in his lot with U.S. President Clinton. With the world financial and monetary system on the verge of imploding more spectacularly than the Bardi/Peruzzi/Lombard collapse of the 1300s—which plunged Europe into a new Dark Ages—London can ill-afford to have major national governments cooperating with one another to actually find a solution to the crises. Because, the only solution is to terminate the past 30 years' reign of usury and speculation, of which London is the center. Of the $1.6 trillion a day in foreign exchange trading, for example, London trades more dollars than does the United States, and more deutschemarks than does Germany; and London's former colony, Singapore, trades almost as many yen as does Japan.

The alarms in London were cranked to their highest pitch two months ago, when Chirac's prime minister, Alain Juppé, booted out the rabid free-market finance minister, Alain Madelin, a member of the secretive British East India Company economics cult, the Mont Pelerin Society. The continuation of London's dominance over the world's financial and monetary system, and its imperial stranglehold over much of the world's raw materials—RTZ's merger with CRA Ltd. makes it the largest mining concern in the world, leaping over Anglo-American, which is nominally South African, but which was established, and is still controlled, by the London Rothschilds—depends on the theories of "free markets" and "free trade" continuing to be the unquestioned axiomatic assumptions of government policy matrices around the world.

So, now the Anglo-Dutch oligarchy must not only find some way to eliminate Clinton, but it must also contend with

Chirac. To that end, Citibank foreign exchange trader Neal McKinnon, whom some even in Citibank view as a London "plant" (a graduate of Eton, he was transferred, following Clinton's election, from the London branch of the Japanese Yamatsai Bank, to Citibank) and Rothschild frontman George Soros, have begun amassing multibillion-dollar positions against the franc.

At the same time, the British have attempted to replace the lost voice of free market cultist Madelin, by beginning a clamor in the French financial press for savage budget cutting and austerity. Guillaume de Delmas, of Merrill Lynch, New York, wrote in the Oct. 10 *La Tribune:* "One cannot understand [the Chirac government's] lack of political courage in fiscal reforms and in the fight against social deficits. . . . It must announce clearly that the fight against deficits is a priority, and bring demagogy to an end by having the courage of taking measures which will be unpopular."

Juppé attacks the 'London gnomes'

Rather than back down, Juppé opened a delightful attack on the British. Speaking before parliamentarians of his RPR (Gaullist) party in Avignon the weekend before the IMF meeting began, he stated, "I do not want to cut the deficit in order to please the market, those people I'll call . . . the London gnomes." He defined the "London gnomes" as the "modern version of the gnomes of Zurich . . . speculators, who take surplus value out of the economy, earning their living by creating tensions and difficulties for others."

Driving the point home, the Paris newspaper *Libération* on Oct. 10 informed its readers that the Robert dictionary definition of the word "gnome" is: "Ugly and deformed little dwarves who, according to the Talmud and the Kabbalists, preside over the earth, whose treasures they guard," a precise way of hinting at London's control of world finances and raw materials. Indeed, *Libération* argued, Juppé wanted thus to point his finger at London, which is "the world's premier exchange market."

How the gnomes themselves reacted to these blasts can be surmised from the coverage of the major London newspapers. The London *Times* devoted a special feature article to Juppé's "London gnomes" phrase, while the *Financial Times* was so unsettled that it denied Juppé ever said it, telling its readers that Juppé really attacked "the gnomes of the shadows," which is *"les gnomes de l'ombre"* in French, but which "some willingly misheard" as *"les gnomes de Londres,"* i.e., "gnomes of London."

Machinations in the Japanese crisis

How desperate the British are to prevent a working consensus to reform the international monetary and financial system, was also reflected in London's machinations around the Japanese banking crises. To allay growing fears that the Japanese banking and economic crises may cause a world financial meltdown, Japanese authorities took advantage of the IMF-World Bank gathering in Washington, to invite 14 top executives from U.S. major banks and mutual funds to meet with Japanese Finance Minister Masayoshi Takemura and Bank of Japan Governor Yasuo Matsushita on Oct. 10.

Here is the zenith irony: American bankers are furiously merging in an attempt to stave off the worst financial collapse in world recorded history, while all the juicy details of how the financial derivatives markets really operate are spilling out in Procter and Gamble's Racketeering Influenced and Corrupt Organizations suit against Bankers Trust; these same bankers are meeting with Japanese officials to extract pledges that the Japanese officials would do whatever is needed to prevent the Japanese banking crises from spilling over into the rest of the world.

One senior Japanese official assured the Americans, "If needed, the Bank of Japan is ready to help ease systemic risk or liquidity problems at Japanese banks which operate internationally," including the use of public funds, if necessary, to prevent the bad loans of Japanese banks from freezing banking liquidity. The bankers also wanted to be reassured, in light of the ability of Daiwa Bank's New York trader's ability to hide $1.1 billion in losses over 11 years, that the Japanese banks had adequate management oversight over their derivatives operations.

It was the Daiwa issue which the British chose as their opportunity to drive a wedge between Washington and Tokyo. The front page of both the *New York Times* and the *Financial Times* on Oct. 10 carried an article screaming that, for six weeks, Japan's Ministry of Finance knew about the $1.1 billion in losses racked up by Daiwa Bank's operation in New York City, before finally informing U.S. authorities of the problem. Statements from various U.S. officials were included, expressing great concern that the Japanese authorities did not immediately inform their U.S. counterparts of an issue of immediate interest to U.S. authorities.

What actually happened was that Daiwa executives had informally advised the Ministry of Finance of the problem on Aug. 8, at which time they were urged to investigate fully, and report back as soon as possible. Accordingly, Daiwa formally informed both Japanese and U.S. officials, simultaneously, of the losses on Sept. 18.

The purpose of the coverage can be surmised from a revealing passage in the *New York Times* article, which quoted S. David Snoddy, described as a banking analyst with Jardine Fleming Securities Ltd.: "If it is true, it's certainly a dent to their [Japanese Ministry of Finance] credibility, and it shows they knowingly allowed a bank under their supervision to break the rules of another country. It certainly changes how the public sees them. It moves from a situation of Daiwa being on trial to the ministry being on trial."

Jardine Fleming Securities is the old investment banking (or merchant banking, as the Brutish would say) arm of Jardine Matheson, one of the key firms in the history of British opium-running and intelligence operations in the Far East.