

edge of the abyss, or, as IMF Managing Director Michel Camdessus put it, "a real world catastrophe" is imminent. A slight rise in U.S. interest rates sufficed to unleash, in early 1994, a chain reaction on international bond markets. While \$3 billion of Orange County, California's assets went down the drain, simultaneously, "just overnight more than \$3 trillion" of financial paper went up in smoke, catalyzed by the incredibly bloated mass of financial gambling called derivatives trading.

### Camdessus: the puppet on a string

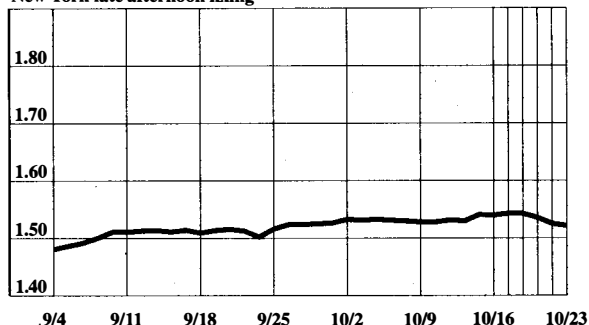
By December 1994, things had gotten much worse. When the Mexico crisis hit, the world financial system was about to disintegrate. As the authors document, a worst-case scenario was impeded only by a desperate, and, in effect, illegal, action by the IMF's boss: "On a cold Monday evening, Jan. 30, 1995," push came to shove. "At 9 a.m. Camdessus received a piece of news which made him shudder. He stood quite alone, shouldering all responsibility to prevent the very disaster which he himself had always thought could not possibly occur. Wracked by anxiety, he could not sit still at his desk. He collected his papers, and left his wood-panelled office for the large conference room, where IMF directors normally gather to discuss issuing credit. 'I was seeking the answer to a question which had never before been posed,' said Camdessus. Should he put aside all previous IMF rules, and, without conditions, without contract, without even the lenders' agreement, grant the largest loan in the fifty-year history of the IMF? Camdessus picked up the telephone, and within a few hours, the mighty director of the world's largest credit institution became but a puppet himself, its strings pulled by people he himself did not even know." The book describes that in these dramatic hours, Camdessus had received a barrage of "calls made by leading New York bankers and investment managers," pressuring him to opt for a gigantic bailout. "Were the Mexican market to collapse, he had heard, nothing could stop hell breaking loose. A chain reaction would be touched off by the mere apprehension of a similar crisis in other Third World countries, the which might well lead to a world wide financial crash."

Such a crash, according to the authors, is, in effect, much more likely than many of the movers and shapers of global markets are admitting to themselves and their clients. Of course, how such a "financial machine run amok" shall ever be brought back under the control of the governments of nation-states, how social tranquility and a decent living standard shall ever be restored, does not overly preoccupy Martin and Schumann. Vaguely pointing to the "Tobin tax," and calling for "a vital, vigorous European alternative to destructive Anglo-Saxon market radicalism," will not do the job. Listening to proposals of a "continent-wide ecological tax reform," coupled with monetary union, "in order to make the Euro the major currency," one can only draw the conclusion that the authors cannot distinguish a coffin from a lifeboat.

## Currency Rates

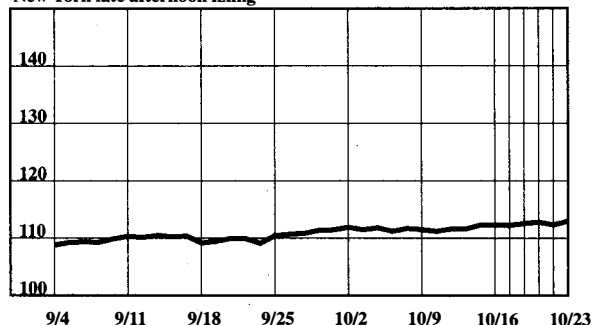
### The dollar in deutschemarks

New York late afternoon fixing



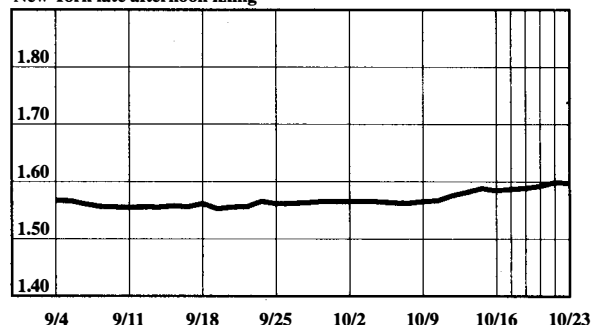
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

