Midwest, W. German Banks Hit Rockefeller With Currency Zone

CHICAGO, Sept. 9 (IPS) — Major Chicago banks, led by the First National of Chicago, are in regular communication with the directors of the West German Central Bank, and have reached agreement on a plan to develop dollar and deutschmark "currency zones," according to informed sources here. The currency zone plan — which would probably include fixed exchange rates with the currencies backed by gold — is generally considered by market analysts to be a means for anti-Rockefeller forces in both countries to attempt to bypass the bankrupt New York banking system.

According to Dr. Arthur Laffert, a University of Chicago professor and a financial advisor to certain Chicago-based interests, at least the two currency blocs should be set up — perhaps along with a Soviet ruble bloc and a Japanese yen bloc — all existing side-by-side in "healthy competition" with each other for markets. In a telephone interview with IPS today, Laffert said that this view corresponds with that of Dr. Otmar Emminger, vice president of the West German Central Bank (Bundesbank). Emminger recently wrote Laffert on the subject of currency blocs, complaining "we have been the prime victims of rapidly adjusting pegs (Rockefeller-demanded floating exchange rates — Ed.)" and proposing gold-backed dollar and deutschmark zones tied to each other. Laffert also noted that this is also the position of West German Chancellor Helmust Schmidt.

IPS has independently confirmed that thinking along similar lines is widespread in the West German Economics and Finance Ministries, as well as among officials of the Italian central bank, Banca d'Italia.

In the last two weeks, several spokesmen for Midwestern industrial interests have indicated agreement with such a plan. Former New York Federal Reserve Bank Chairman Arthur Hayes and First National of Chicago official Eugene Birnbaum both called for dollar-deutschmark zones and a return to fixed rates earlier this month.

Plan "Toothless"

Despite its nature as a direct attack on Rockefeller monetary policy, the zone plan is generally worthless as a competent measure to restart world trade and production. Dr. Laffert readily agreed that selective debt moratoria on dollar-denominated debt — the crucial tactic of economic warfare against Rocky's New York banks and the only thing that could give "teeth" to the Chicago-West German plan — has been scrupulously avoided in the discussions. According to Laffert's mistaken reasoning, the Western Europe and the U.S. economies will survive the depression through extensive trade between the two fortresses with only necessary "spillover" trade with the outside world. Hypothetically, there would be no need under such arrangements for a single international reserve and trade currency — such as the gold-backed transferable ruble — or for a mechanism for world trade and development — such as the ICLC's proposed International Development Bank.

The hypothesis is idiotic on two counts. Firstly, the dollar itself cannot survive the imminent New York City default, a coming Third World debt moratorium, or even current Federal Reserve attempts to bail out the banking system. Rocky's banks cannot be "bypassed" but must be destroyed and replaced. This means a full replacement of the dollar. In addition, the plan significantly ignores not only the greatly expanded levels of trade and development needed to end the depression, but also current trade requirements. The Third World currently absorbs over 20 per cent of Western Europe's total exports; West Germany crucially needs to expand its already-high level of trade with the Soviet bloc. Shifts away from this tendency would only further devastate U.S. and European industry.