significant energy resources of its own, and ranks second only to the United States as an importer of oil

Japan, which experienced untold suffering brought about by the use of nuclear weapons, is deeply committed to the three non-nuclear principles — not possessing, not producing, and not permitting nuclear weapons to be introduced into Japan, and as a signatory to the Treaty, cooperates with the United States in international efforts to establish firmly in the world a nuclear non-proliferation regime....

When we consider the peaceful uses of nuclear energy, to secure safety is the indispensable prerequisite. Especially, as we realize that both Japan and the United States use the same type of nuclear power reactors, for Japan and the United States to cooperate together in the research for nuclear safety, so as to improve the safety and reliability of nuclear reactors, will indeed serve the common interest of both peoples.

From a longer-range point of view, the development of new alternative sources of energy invites expanded Japanese-American cooperation. Since world oil reserves are expected to come close to depletion at the end of this century, both our countries should strengthen our cooperative efforts for energy conservation and the development of new energy sources . . . . I should like to suggest nuclear fusion and solar energy as particularly useful areas for joint R & D, since both are considered to be ultimate energy sources for the future.

U.S.-Japanese Fusion Project

Fusion involves harnessing almost unlimited energy from a man-made process which employs the same principle by which the sun creates its heat and light in nature. It is, in effect, the creation of a miniature sun on earth. Japanese and American experts are already exchanging technical information in this field, but I should like us to take a step further, pooling our human and financial resources in a joint effort to realize an ultimate dream of mankind . . . .

Colossal investments in human and material resources are needed for research and development in all these areas. With a view to making more efficient use of limited resources available, and to make Japan-U.S. cooperation more meaningful, I wish to propose that Japan and the United States seriously study the establishment of a joint fund for the advancement of science and technology, to serve as a framework for international cooperation in these areas. I hope to pursue this idea with our American colleagues concerned, and I trust you and your countrymen will be responsive to my proposal.

Needless to say, there is no reason to limit such partnership in scientific and technological cooperation to Japan and the United States alone. The door could be open for participation in these projects by all countries which wish to cooperate with Japan and the United States to put science and technology to work for the well-being of mankind....

Book Review Part II

'A Tool Of Power: The Political History Of Money'

A Tool of Power:
The Political History of Money

by William Wiseley
John Wiley and Sons, New York, 1977.

by David Goldman
USLP Director of Financial Intelligence

The Cold War and the Monetary Mess

Why, despite upwards of $50 billion of postwar expenditures, did the United States find its economy and the dollar slipping by 1958? Most Americans still recite nursery rhymes about the "business cycle," including former Federal Reserve Chairman Burns and the Federal Reserve staff. But the RIIA and its tool, Dr. Wiseley, don't believe in such myths circulated for the benefit of the credulous, any more than trade war specialist Adam Smith believed in "Free Trade." These events in the economic sphere occurred, the RIIA says plainly, because Britain persuaded the United States to enter a Cold War against its best national interests. Secondarily, they occurred because the U.S. adopted a rentier, or financial investment, approach to European recovery, not a capital-goods export approach.

Who is responsible for this? Wiseley brags that Churchill and the Kissinger circuit sold that package to the dumb Americans, as this publication has also argued. In his words:

> Since 1949 the British Foreign Office has been ruled by Lord Strang. As Permanent Under Secretary he had persuaded himself that British power could be perpetuated by maintaining appearances long after the realities had departed. Strang and the Foreign Secretaries for whom he served as "eyes and ears" shared the belief that their unique inheritance, centuries of experience with Europe and its colonies overseas, had somehow endowed them with a wisdom the United States would respect. In their schemes for the future, British leaders would provide the tutelage and policy guidance, which Americans would pay the costs in men and money to defend Western Europe and its empires. Persuasively Winston Churchill and Lord Strang had

proclaimed that it was the "responsibility" of the United States to provide a "Pax Americana" for the 20th century.

Who, on the "American" side, carried out these orders, and perverted the Marshall Plan, which was to be the agency of European reconstruction, into an agency of Cold War?

> . . . William Yandell Elliot, a portly, often pompous professor of government . . . At Harvard University Elliot had an aggressive, ingratiating pupil named Henry Kissinger, who was still more ignorant of economics . . . Both Elliot and his protégé regarded the Marshall Plan as a political tool, whose moneys should be used lavishly. Neither understood how to employ economic aid properly, because they lacked any knowledge of the functioning of monetary systems. When American foreign economic policies fell into the prodigal hands of Elliot, Kissinger and their friends, the gold-exchange system inaugurated at Bretton Woods was doomed to eventual failure.

Elliot and Kissinger were the propagandists for the Strangulating policy of Cold War, out of Elliot's Government Department at Harvard, and Kissinger's Defense Studies Program, which yielded Kissinger's first book:

> Lavishly advertised, Kissinger's book appeared in 1957 and became the first American "best-seller" of its kind. That marked the beginning of the only peacetime military mania the United States had ever experienced. The worldwide crusade against Bolshevism became a patriotic duty for both American political parties. Even diehard isolationist Republicans were being persuaded that maintenance of costly armed forces abroad, both in Western Europe and the Far East, had become essential for the security of the United States itself.

> Even though Churchill and the postwar Labour Government, in particular its Foreign Minister Ernest Bevin, had roped the United States into a confrontation policy with the Soviets, opportunities arose to put matters aright. Why did that fail?

> . . . to many Americans, the death of Joseph Stalin in March 1953 appeared to open the way for reconciliation of the costly disputes between the United States and the Soviet Union. In July of that year, deprived of Soviet support, North Korean and Chinese forces agreed to an armistice in the Korean War. Dulles then scheduled for February 1954 his first face-to-face meeting with the new Soviet leaders, in the equally troubled city of Berlin. It would be aborted. Thoroughly frightened that the United States might then withdraw its armed forces from Western Europe and thus compel them to supply the money for their own defense, in December 1953 the British and the French (then following British policy — DG) stymied his proposals for a European Defense Community.

> This is oversimplified — the British also played an "anti-American," "independent Europe" side of the European Defense Community — but it is still an extraordinary admission.

> As early as 1951, Wiseley reports, the Executive Board of the International Monetary Fund, supposedly the instrument of the dollar's world domination, had begun planning for an American bankruptcy under the burden of Cold War military expenditures, "to anticipate the day when the United States itself might need the Fund to cope with its excessive spending abroad." That indignity — the Fund makes loans in return for control over the borrower's economic policies — was proposed in earnest last April by Michael Blumenthal's Treasury Department.

> The Vietnam War dealt the final blow to the American balance of payments and made the succession of monetary crises unavoidable. How did the United States get into it?

> Nearing the end of a long, unpopular war against Communist guerrilla forces in newly independent Malaysia, General Sir Gerald Templer and the British General Staff had therefore been quietly urging their American friends to intervene forcefully in South Vietnam, to defend not only Malaya but also Thailand, Singapore and the new nation of Indonesia against any further Communist expansion. Long after the departure of British, French and Dutch troops and colonial officials, European commercial interests and investments in Southeast Asia would remain extensive. As (British) Prime Minister, Harold Macmillan enticingly invited President Kennedy to protect those European interests. Rashly Kennedy would begin to do so.

Europe's Aborted Recovery

Wiseley's unabashed account of how Britain set the United States up for a fall through manipulating its strategic posture, and via British agents-of-influence William Yandell Elliot and Henry Kissinger, tells only half the story. The internal workings of American foreign economic policy fell into the same profile, starting with the 1944 Bretton Woods monetary conference.

Towards that black moment in American history, it is best to work backwards from the ensuing disasters in the postwar economy. Despite the best intentions of Secretary of State George Marshall, let alone the framers of the Export-Import Bank of the United States Act of 1945, America never achieved the necessary status as a world exporter. As Wiseley notes, "shortages disappeared but also the United States had been incurring deficits in its international payments accounts for every year since 1950." And this only five years after Western Europe concluded the most devastating war in history!

The ugly truth of the matter is that Europe rebuilt itself first on the muscle and bone of its exhausted population, and only secondarily through American aid, which paid for raw materials, food, and military support, rather than for capital goods. The West German population only regained its standard of living as of the Hitler regime in 1957; the British population remained on wartime food rationing until 1954. Americans had more than a humanitarian concern in this matter, when the U.S. economy hit its first big postwar recession in 1958. "In part that American recession had been caused by the overvalued dollar and the consequent weakening of American export industries," not unlike the late 1970s.

What exactly was the "overvalued dollar," the incessant debating subject until the dollar devaluation of 1971? The weasely author means, on the contrary, the *undervaluation* of Western European currencies and the Japanese yen, rigged by the British in 1949. With currencies artificially cheapened by roughly 40 percent, the European countries were at a disadvantage in buying American Capital goods — despite the flow of Marshall Plan aid — but at a realtive "advantage" in their role as exporters of underpriced goods. The real content of the currency valuation problem, therefore, was Europe's pay-as-you-go, bootstrap recovery.

More insidiously, cheap European currencies meant that while American corporations could not easily export capital goods to the European sector, U.S. dollars could purchase extra quantities of European capital goods and labor. The dominant pattern of American foreign investment in Europe was the financial takeover, rather than material support, which fed the accumulation of dollars overseas, and produced unnecessary bitterness in U.S.-European relations.

Under the upturned noses of the Anglophiles at the State and Treasury Departments during the Truman Administration, the British Treasury sank its own pound sterling, forcing the rest of the world to follow:

> Having held the pound at $4.03 for a decade (through the worst years of World War II — DG), the British government devalued it to $2.80 on September 18 (1949). Thirty countries followed suit within the next few weeks by devaluing their own currencies. Together they accounted for two-thirds of all world trade . . . American consumers enjoyed two decades of cheap imports and low domestic interest rates. American exporters and labor unions might soon have begun to protest (against export competition from war-shattered Western Europe!) if the North Koreans had not invaded South Korea in June 1950. Another war boom began.

We start to see how Dr. Wiseley's mind works, i.e., how his "Cold War" profile and his "rentier nation" profile dovetail. America had swallowed the whole hook. But it could not have happened except for the national disgrace at Bretton Woods in 1944, when the United States adopted an international monetary system shot through with the mentality of the accounting profession. The elaboration of a world dollar standard, backed by American gold, was not a Bretton Woods accomplishment; any fool who could add, and knew that America held half the world's gold and most of remaining industrial capacity, could see that this would happen. The problem was the International Monetary Fund itself, whose unnatural progenitor was British representative John Maynard Keynes.

Keynes brainwashed the United States by propounding an early variant of the IMF's Special Drawing Right, the supranational play money that Britain now officially wants to replace the dollar. "Both Keynes and the British Treasury were merely maneuvering for position," Wiseley comments, "to gain every possible world trading advantage for the pound." He got what he wanted, as reported, as of the 1949 "overvaluation of the dollar." What Keynes sold the United States was not his version of funny-money — which no one *then* "would ever consider seriously" — but the British *idea* of what a monetary system ought to be.

The utterly destructive premise of the International Monetary Fund is the British-system notion of "payments equilibrium," i.e., that a nation should pay out no more than it takes in. No matter that America had a giant's capacity for export *surpluses,* and Western Europe and the Soviet Union urgently needs massive capital goods imports, that is, a trade *deficit.* Real economic relationships were written out of the IMF rules. Europe and Japan followed that British prescription, and rushed to put goods onto the international market, at the expense of both their own impoverished citizens and America's export industries.

Keynes diabolically stampeded the U.S. into undersigning this "classical economics" notion of accounting, by demanding an even more horrible "Keynesian" alternative — the creation of international funny-money for unlimited financing of Britain's deficits.

That America let Keynes lead it by the nose is only slightly less amazing than the fact that American policymakers have not learned a blessed thing about the subject since then. Mesmerized by the words "payments equilibrium," Arthur Burns proposed cuts in government spending back in 1957, when the dollar first showed signs of weakness, the same nonsense he proposed 20 years later, when the dollar began its life-and-death crisis.

Blaming the Dollar Crisis on France

Britain's set-up of postwar events left Western Europe in the lurch. Real European interests, best summed up in De Gaulle's expression "Europe from the Atlantic to the Urals," could not tolerate Cold War interference with European-Soviet relations. To De Gaulle, who assumed power in 1958, the "Anglo-American "partnership" meant an arrangement in which Britain suckered the U.S. into policies which were antithetical to both American and Western European interests. But because London's long-term objective was to exhaust and eliminate American leadership, European leaders could not, in their own best interests, jump on a British bandwagon against the United States.

Author Wiseley cannot contain his glee while reporting the many confrontations between French and American leaders. But he is also terrified of De Gaulle, even in the latter's weakest moments, because De Gaulle was the one European leader — Adenauer was a possible exception — with the statescraft to break the U.S. from its London Svengalis. His terror emerges in public-school bitchiness:

> The price for the favors of Marianne has always been high. Often it has been excessive . . . The French have always been adept at getting something for nothing. . . . no help could be expected from the French. In French diplomacy, malice had become the guiding motive. . . . rather than cooperate with

his neighbors for their common good, he (De Gaulle) would become a wrecker to enhance his own standing and the influence of France in world affairs. . . . Having found that he could now defy the United States at will, without incurring any retaliation, de Gaulle became both bolder and more erratic. . . . (Pompidou's) self-righteous taunts were calculated skilfully to anger Americans and delight French Gaullists . . .

What all this overflow of abuse amounts to is that France got up at every International Monetary Fund meeting until 1969 and lustily denounced Britain's schemes to replace the dollar with Special Drawing Rights! Wiseley, in his choler, does not hide the fact the SDR was British from the get-go, starting with Keynes earlier version in 1944, through Britain's final success (through then Chancellor of the Exchequer Tony Barber) in getting the IMF to accept the funny-money standard in 1972.

Nor does he hide the sordid detail that America refused to go along with the SDR madness, even as a matter of principle, until Goldman Sachs partner Henry Fowler, a City of London-linked investment banker, took over the Treasury Department in 1965, and persuaded stupid Lyndon Johnson that it was the only means to finance the Vietnam War.

In passing Wiseley also reports that Britain started, in 1958, the European practice of cashing in dollars for American gold that ultimately led to bankruptcy in 1971; that Britain frustrated all American efforts to control the cancerous Eurodollar market (the accumulation of dollars in private hands outside the U.S.); that Britain entered the European Community in 1972 with the intention of staging a European confrontation with the United States' and that British Prime Minister Harold Wilson egged the Americans on in Vietnam, when General De Gaulle was attempting to find a solution to the war. In a rare flash of honesty, he admits that

There is one point, and perhaps only one, on which Americans and French have always been able to reach accord. It is almost impossible to hold *perfide Albion* to its most solemn engagements. The British are masters of the art of evading their international responsibilities and invariably leave the table before the waiter presents the bill.

One circumstance overrides all the myths about French-American emnity: all the official French proposals concerning the dollar crisis represented the best interests of the United States, even more than the official American proposals! That is why Wiseley has to lie outright about the events preceding Aug. 15, 1971, as noted above. France proposed a devaluation of the U.S. dollar against gold, that is, an increase of the official price of gold, in order to contain the dollar crisis. Had Nixon followed the advice of then President Pompidou in 1971, the world would have been spared the worst of the currency disasters that followed. Why didn't Nixon take that option? Wiseley answers inadvertently, citing the American explanation to the other nine major industrial nations on Sept. 3, 1971: domestic political opposition to a devaluation of the dollar against gold prevented it. Specifically, current House Banking Committee Chairman Henry Reuss, a British agent-of-influence heading at that time the Joint Economic Committee's Subcommittee on International Exhange and Payments, had the power to block Congressional approval of a change in the official gold price. Reuss had been screaming for suspension of American gold payments abroad, as well as austerity measures against the U.S. economy such as wage and price controls; Nixon and Treasury Secretary Connally capitulated and adopted his program.

But they didn't give it up for lost. At the postwar height of French-American understanding, Nixon and Pompidou met that December, and agreed to bring the dollar back to gold backing as fast as possible. The Nixon Administration's efforts to expand American exports through the Eximbank and the creation of the U.S.-Soviet Joint Economic Council would actually produce a U.S. payments surplus in 1972! There and then the pattern might have been broken, and the United States might have adopted a world policy based on leadership in economic development, close working relations with France, and entente with the Soviet Union.

At that point the same Henry Kissinger who had sold America on Britain's geopolitical snake oil 20 years earlier set in motion the sabotage process later known as Watergate.