The Atlantic Council proposes IMF dictatorship for America

Martin proposes a world central bank to derail EMS, control U.S. economy

London's frantic efforts to derail the Franco-German plan for a new development-oriented global monetary system escalated this week with the publication of major policy statements by two leading bastions of Anglo-"American" influence — the Atlantic Council and the International Monetary Fund (IMF). The Atlantic Council policy paper, entitled "The Floating Rate System: The Search for Balance and Stability," is part and parcel of the British strategy to discredit the Franco-German backed European Monetary System (EMS) and its subsidiary European Monetary Fund (EMF) as "antidollar" and, further, to promote their own schemes for an IMF global economic dictatorahip.

Both the Atlantic Council policy paper and the IMF annual report, made available to the public on Sept. 17 and 18 respectively, censure European and Japanese government efforts to stabilize the U.S. dollar through currency intervention. The dollar can be salvaged, they insist, only through the workings of "basic market forces" and the imposition of a draconian "anti-inflation" program — measures which will actually collapse the U.S. economy and destroy the U.S. dollar as the world's investment currency in the long run. Moreover, at a Sept. 16 press conference, William McChesney Martin, Co-Chairman of the Atlantic Council's Working Group on International Monetary Affairs, called for the transformation of the IMF into a "supreme central bank to impose monetary discipline" in the event that domestic austerity measures fail to revive the dollar. Martin is a director of Royal Dutch Shell and a former Federal Reserve chairman, who long ago established a reputation as the "Cassandra" of the international financial community.

London: EMF is a strategic threat

The release of the Atlantic Council report coincides with a crescendoing London-directed campaign of slanders and innuendos being waged (largely behind closed doors) against the EMF and against the person of Helmut Schmidt, the West German Chancellor, in particular. The chief slander which British outlets are retailing is that the EMS constitutes a threat to the U.S. *as a strategic power,* that Schmidt has succumbed to Soviet-directed "Finlandization" of Europe and is therefore setting up the EMS as an "antidollar bloc" against the U.S. economy. The British, typified by Robert Moss, director of the Rothschilds' *Economist* Intelligence unit, add for good measure the warning that West Germany is about to break from NATO, thereby wrecking the Anglo-American-based "alliance" upon which Western military policy has been based since World War II.

Such warnings constitute the core of this month's seminar series for top U.S. corporate executives being run by the Georgetown University Center for Strategic and International Studies under the direction of Henry Kissinger.

According to the Sept. 13 issue of the London *Guardian*, one of the few publications which covered the "Future Business" seminars, "senior Administration officials" at the seminars "gave polite, if very general, support to the current moves within the Common Market to erect a European Monetary System. But in private many of them express the fear that such an initiative could be taken to reflect a lack of long-term European confidence in America's ability to keep a strong dollar at the heart of the present world monetary system." Further, Henry Owen, who works out of the National Security Council as President Carter's special assistant on economic affairs, told seminar participants that he saw "potential dangers to Western unity if inflation proved persistent and if the Soviet bloc maintained its military challenge in Central Europe."

An equally ominous note was sounded by London *Financial Times* columnist Jonathan Carr in a Sept. 19 article. Commenting on Schmidt and French President Giscard's display of unity at their Aachen summit, Carr warned that "there is a European will for a greater degree of independence from American action." Schmidt and Giscard, he added, are imposing restrictions on U.S. policy which "would have prevented the inflationary spending on the Southeast Asia war" — a remark calculated to send conservative American businessmen scurrying into the trenches.

As with most British-authored slanders, there is a tiny grain of truth here. The West German government has indeed threatened to drop out of the recent NATO "Reforger" maneuvers — not because of any anti-American bias but because it feared NATO's provocative antics would bring the U.S. to the brink of a disastrous world war. Similarly, the thrust of Schmidt's monetary proposals has been not to destroy the dollar but to breathe new life into the U.S. currency by recycling idle dollars into the financing of expanded world trade and development.

Supreme central bank

Precisely what William McChesney Martin meant by "a supreme central bank" was elaborated by Frank A. Southard Jr., former IMF deputy managing director and the other Co-Chairman of the Atlantic Council Working Group responsible for drafting the policy paper (see below). Briefly, national governments belonging to the IMF would be compelled to turn several hundred billions in "excess" dollar reserves over to the IMF and would receive in their place new issues of the IMF's Special Drawing Rights (SDRs). The IMF would also establish a "rediscount facility," allowing it to carry out open market operations in national money markets and determine interest rates worldwide. Thus, national sovereignty in regard to the determination of domestic economic policy would be eliminated in one stroke!

Significantly, the members of the Atlantic Council Working Group on International Monetary Affairs include Henry Fowler and Eugene Rostow, cochairmen of the U.S. Committee on the Present Danger which is notorious for its "nuke 'em while we still can" propaganda. Fowler, now a partner at the Goldman Sachs investment bank, served as U.S. Treasury Secretary under Lyndon Johnson and was responsible for persuading Johnson to accept the creation of the IMF's Special Drawing Rights as a dollar surrogate. The British Treasury had been publicly calling for the creation of SDRs since at least 1961, but previous U.S. administrations resisted this as too obviously undermining the dollar as well as fostering a dangerously inflationary expansion of world liquidity. Fowler armtwisted Johnson into accepting the SDR on the basis that "you can't finance the Vietnam War without it." Along with Fowler, Georgetown's Henry Kissinger, a member of the Atlantic Council's board of directors, is presently employed by Goldman Sachs as an advisor on international economic policy.

Since Martin's proposal for a world central bank is still too much for the American business community to swallow, the Atlantic Council left this proposal out of the actual published report, but included in its "program of action" several less dramatic recommendations which would tend to lead "step-wise" toward the creation of such a global economic dictatorship. First, while the Council advocates increased central bank intervention in support of the dollar as a sop to the Europeans, it warns that the aim of this intervention "should be not to resist basic market forces which are pushing (exchange) rates to a more appropriate level." In plain English, this translates: "No European effort to establish a fixed parity for the U.S. dollar through the EMF will be tolerated. If the dollar is to stabilize, it will only be through the imposition of drastic austerity and energy consumption cuts."

To ensure that the Europeans and Japanese do not intervene "excessively" in defense of the dollar, the Council further demands the implementation of the newly amended Articles of Agreement of the International Monetary Fund which empower the IMF to "exercise firm surveillance over the exchange rate policies of members."

Second, the Council recommends new issues of SDRs, in accordance with the Second Amendment which requires member countries to collaborate in "making the special drawing right the principal reserve asset in the international monetary system." Both of these recommendations, IMF surveillance of exchange rates and new allocations of SDRs, were also highlighted in the IMF annual report.

Bank of England rehash

The bulk of the Council's report is a rehash of arguments summed up in a Bank of England memo which has been circulating in the Wall Street financial community for several weeks. As in the Bank memo, the report attributes the dollar's decline to the trade and current account imbalances of the U.S., West Germany, Japan and otherr advanced industrial economies. However, the Council points out correctly that the U.S. trade deficit reflects not merely increased oil imports but increased imports of manufactured goods and flagging manufactured goods exports. This leads to "the heart of the imbalance in world payments," the relatively high U.S. inflation rate which is allegedly reducing the "competitiveness" of U.S. goods on U.S. markets. The solution? Induce a full-scale American depression through credit strangulation, federal budget cutbacks, and wage controls: "Foremost, so far as concerns the United States, is the need to reverse the dangerous uptrend in price levels. This attack on inflation must be mounted on all fronts: fiscal, monetary, wage policy; and must be patiently pursued with the full strength of the Executive, the Congress, the monetary authorities, business and labor. . . . Secondly, the modest reduction of U.S. oil imports in 1978 (due chiefly to the flow of Alaskan oil) must not be allowed to conceal the danger of continued growth in energy consumption at a rate greater than the trend of domestic energy supply."

As a corollary, the Council also calls for outright trade war against America's European and Japanese allies. The Atlantic Council pays lip service to longstanding U.S. Labor Party proposals for government-backed export expansion but parodies such export programs by identifying them as merely a matter of increasing relative "market share" at the expense of other industrial nations. The report demands that European and Japanese governments tear down the "barriers" preventing U.S. goods from gaining access to their markets, and that these governments further cease subsidizing their own exports: "Increasingly, governments are intervening to asssist in establishing new industries (prime examples are computers, nuclear energy, civil aircraft, and telecommunications), providing subsidies and requiring state-owned enterprises to buy the products. Often these industries become exporters, with the assistance of special credits and government-to-government negotiations. Under such circumstances, it is scarcely surprising that exchange-rate adjustments do not seem to have the expected effect on trade. The U.S. authorities must be vigilant to identify and respond strongly to various forms of subsidy which other industrial countries may be giving to their exporters." The report thus totally ignores the fact that the EMS would increase U.S., European, and Japanese exports *simultaneously* as new markets are opened up by the creation of large-scale development projects in Third World and Eastern European countries.

And, finally, the Atlantic Council reiterates the by-now shopworn slander against the European Monetary System: "It is premature to evaluate that plan (the EMS — ed.). If it comes into being, care should be taken to coordinate its activities with the surveillance role of the IMF; and to avoid putting pressure on other currencies, especially the dollar. In any event, it would reinforce the need for close collaboration with the United States and Japan."

— Alice Shepard

Atlantic Council official explains "world central bank"

The following interview with Frank A. Southard, Jr., former IMF deputy managing director, was made available by a Wall Street source. Southard is co-chairman of the Atlantic Council's Working Group of International Monetary Affairs, which is responsible for producing the Council's just released report on "The Floating Rate System." William McChesney Martin, former Federal Reserve Chairman, is the other co-chairman of the Working Group, and wrote a forward to the report.

Q: The Journal of Commerce *quotes you as saying that the new European Monetary System "should not undercut the IMF." I've heard that there's a possibility that the EMS could develop as a rival to the IMF. What do you think?*

A: Yes, there is a danger. It has been proposed that the Europeans pool 20 percent of their reserves with a common fund, which would amount to $40 or $50 billion. If they proceed to make international decisions relating to exchange rate structure without reference to the Fund, there could be problems. The Fund would then be left dealing largely with LDCs. If they do succeed in setting up the "Super Snake," if you're familiar with the phrase, it will be important that they continue to respect their obligations to the IMF.

Q: Well, do you think it's likely that they will respect those obligations?

A: This is always a problem with big powers. I'm fairly optimistic that they'll value their relationship with the Fund. The real danger is if they should make decisions among themselves without the Fund.

Q: Now, the Washington Star's *coverage says the Atlantic Council wants to move towards a world central bank, a global U.S. Federal Reserve. How would this work?*

A: Well, this is not actually in the report but in William McChesney Martin's comments at the press conference. He argued this point quite cogently. It's based on lectures he gave two years ago. If you could imagine that you could have a world central bank, the Fund would have to have the following powers: 1) The power to increase world liquidity. 2) The power to soak up excess world liquidity. It would require that member countries deposit excess reserves in the Fund against SDRs. 3) A more active role for the Fund in determining interest rates. This would involve setting up a rediscount facility.

Now, the new amendment allows the Fund to increase or decrease issues of SDRs, and if the SDR becomes the main reserve asset, as it is supposed to be under the IMF articles, we would be moving in the direction of a world central bank.

Q: Did McChesney Martin indicate how the European Monetary System might be made to work within the context of a world central bank?

A: No, he didn't deal with that. The only thing that's being said is what I said at the press conference yesterday. It's too early yet to evaluate it. But we must be very careful that it does not undercut the IMF.