

## Editorial

# Verdict and prospects for the EMS

The International Monetary Fund (IMF), in its soon-to-be-released annual report, has finally and begrudgingly told the truth about the European Monetary System (EMS). On the eve of its annual meeting, the IMF, which previously had hardly even acknowledged the existence of the EMS, states that the creation of the new monetary system "represents a major modification of exchange arrangements and international policy coordination."

The truth, as the IMF now tells it, is that through its effective policies of coordinated massive central bank intervention into the currency markets, the EMS has brought an end to the IMF's preferred anarchy, the "floating rates" system. The establishment of the EMS over the past two years has brought fixed rates back into the international monetary system and brought relative stability after the mess of IMF floating rates.

The *Executive Intelligence Review* is always happy, of course, to see the IMF tell the truth—even more so on this subject. For more than two years the existence and importance of the establishment of the EMS has been a virtual secret in the U.S. press and in large parts of the world. A blackout has been imposed by the interests who rightfully see the EMS as the greatest threat to the continued domination of world monetary and financial affairs by the IMF and its controllers in the New York-London banking houses.

The *EIR*, on the other hand, is known as one of the foremost proponents of the success of the EMS and, as our longtime subscribers know well, we have been the only publication in this country to consistently provide the real news about what the EMS was doing and what it meant. We have told our readers about the impact of the EMS on gold, on stable currency rates, on the creation of new sources of liquidity in the international credit markets, and on its future in the so-called second phase, the creation of the European Monetary Fund as the kernel of a new international monetary system.

The opposition of the IMF and the interests it

represents to the success of the EMS is no secret. The control by the IMF and the allied banks of the Eurodollar market over the international monetary system has been the principal source of instability in the system and the principal obstacle to worldwide economic growth. The IMF policy, particularly toward the indebted nations of the developing sector, has been characterized by the infamous "conditionalities" imposed on those who have been forced to go to them for financing. Those "conditionalities" have meant restriction of high-technology industrial and agricultural production, severe austerity even under the low living standards prevailing in most developing countries, and in some cases such severe looting of those economies that the result, as in Africa today, is outright murder.

The promise of the EMS is to mobilize new sources of liquidity, including surplus petrodollars, in a new stable monetary system backed by gold reserves and the channeling of that credit into long-term industrial, agricultural and infrastructural projects, particularly in the developing sector. Where the policies of the IMF produce political instability, those of the EMS and the IMF would produce stability and vast new markets for the capital goods and technology of this country and other industrial nations.

The IMF in its annual report even admits the existence of the second phase, the EMF, a fact that has been blacked out to an even greater extent than the news of the EMS itself. The anti-gold policies of the IMF make it particularly loath to see the emergence of this new gold-backed fund.

The belated recognition given its rival by the IMF is obviously not a sign of acceptance. The fight for the creation of a new gold-based international monetary system will continue with unabated opposition from the IMF and its backers. The *EIR* will continue to both inform and educate its readers on the importance of this issue—as well as the business opportunities that are defined by these developments.