British Influence Behind Soviet Antidollar Line

Recently, a number of Soviet commentators have issued articles both attacking the U.S. dollar as the world's reserve currency, and commenting favorably on "multi-currency" schemes being proposed as replacements for the dollar. Among these commentaries, whose policy thrust points straight to the City of London, were a piece in a late February edition of Soviet *New Times*, a March 19 *New York Times* guest article by Soviet economist Stanislav Menshikov, and an article in the March 17 official Communist Party daily *Pravda*.

The articles are appearing in response to pressure from British-penetrated circles within the Soviet bloc—typified by the USA-Canada Institute—which have been attempting to convince the Soviets leadership to link up with the British drive to reduce the United States to a third-rate world power.

In a recent interview made available to this news service, Council on Foreign Relations spokesman Zygmunt Nagorski revealed the ugly fact that the British have gone so far as to offer the Soviets "a cut" in the monetary spoils expected at the point of collapse of the U.S. economy. British hopes are that, in return for a piddling inflow of "hot dollars" into Eastern Europe and the promise of a short-term uplift in East-West trade, the Soviets would be willing to include East Bloc currencies in a new monetary order based on regional currency zones. In short, the British think they are close to getting their hands on a convertible ruble, to be used as a decisive super-weapon against the dollar.

In his March 19 *New York Times* article, Menshikov wrote: "A steady return of the dollar to where it belongs—to the nonpreferential position of just another national currency—is a necessity to be kept in mind." In place of the dollar, Menschikov suggests that "some countries with temporary trade deficits but with steady growth and high financial credibility could offer their currencies as a new means of short-term, low-interest foreign investment, readily convertible into gold at a fixed parity."

Commenting on the Menshikov piece, Nagorski insisted that the multi-currency model outlined above was both "official Soviet policy" and "the flitter of an idea...pushed mostly by the U.S. Labor Party." Nagorski's citing of U.S. Labor Party influence in the emergence of this policy is strong indication that British attempts to use Soviet currencies as a super-weapon against the dollar began in mid-1977, as an important feature of London's preparations for the January 1978 "bear raid" against the dollar that has now brought the U.S. currency to record lows.

During 1977, the U.S. Labor Party proposed that the Soviets offer the transferable ruble as the leading international reserve currency, strictly in the framework of government-to-government treaties creating an International Development Bank for financing long-term, low-interest development loans, especially in the Third World. In August, British networks intervened into the motion generated especially in Western Europe around this concept, and launched a counterproposal to convince the Soviets to degrade their currencies into new speculative instruments.

The reemergence of discussion of the convertible ruble by British-linked forces at this time demonstrates that this British counterproposal was originally forwarded in connection with a concerted move to destroy the U.S. as a world economic power — and to convince the Soviets that a U.S. collapse would work to their benefit.

At the same time, Menshikov's enticing description of currency zones as "a new means of short-term...investment" reveals the nature of the rotten deal being offered. In short, the British have told the Soviets that if they join in on the antidollar raid, when the collapse hits the British will give them a cut in "hot dollar" foreign currency reserves.

In a private interview, Menshikov further explained that his article was "an extension" of the August 1977 proposal forwarded by Hungarian Central Bank head Janos Fekete, that the dollar, deutschemark, ruble and yen be organized into convertible East-West "currency blocs" linked to gold. In turn, British-linked Fekete's proposal was consciously forwarded as an East bloc complement to plans pushed by top-level Briton Roy Jenkins, the European Economic Community commissioner, to organize the West European economies under a single European currency (for example, the Europa) to be circulated under British control.

What do the Soviets Think?

Of course, the Soviets would never tolerate British control over Soviet bloc currencies. The Soviets are allowing these articles to appear to cast up a "smokescreen" around their steady preparations to wage a thermonuclear war, should they be forced to. In contrast to the smokescreen, however, as recently as last month, hard line Soviet spokesmen in the Czechoslovak Communist Party daily *Rude Pravo* defended the dollar system on the grounds that "the U.S. remains by far the greatest capitalist economic power." There is every indication that foreign trade and monetary policy, including the line on the dollar, remains a focus of intense debate in Moscow.

There is, nevertheless, one point of genuine intersection between what the British are doing to the U.S. and Soviet war preparations. The Soviets are ready to allow the British to destroy the U.S. economy—they are presently playing along with the "antidollar" propaganda of this attack, based on the assessment that an economically devastated U.S. will be more efficiently defeated in thermonuclear confrontation.

The strategic stupidity of Soviet delusions of this type is that they serve to weaken exactly those U.S. industrial forces who could defeat the British gameplan and in so doing, guarantee a resotration of stable, nonaggressive economic relations with the Warsaw Pact. But the game has gone so far that on March 17, *Pravda* gloated over the failure of President Carter and West German Chancellor Schmidt to consolidate a firm U.S.-West German dollar support policy, characterizing their attempt as "a hopeless prospect." *Pravda* also commented: "The oil exporting countries...just last year lost about $14 billion (from dollar depreciation). It is no surprise that more and more of these countries are demanding the liquidation of the privileges of the dollar as the leading reserve currency... After the announcement of the American-West German plan, the dollar again plummeted, reaching its lowest level in 25 years on the Tokyo exchanges."

Once again, Moscow has taken the bait. For it is known that the March 13 agreement on West German-U.S. support measures was written to the British prescription by U.S. Treasury Secretary W. Michael Blumenthal, who doctored the contents agreed upon by Carter and Schmidt to prevent the dollar from being put on a gold-backed, trade-financing standard.

—Renee Sigerson

The Anti-Dollar Line

New York Times, "A Marxist Look at the Dollar Crisis," by Stanislav M. Menshikov, March 19:

The currency crisis may die out because the world may find itself, for the time being, locked into a compulsory use of the proliferated dollar. However, it is not unrealistic to expect that in the future alternative forms of reserve currencies may be found.

For example, some countries with temporary trade deficits but with steady growth and high financial credibility could offer their currencies as a new means of short-term, low-interest foreign investment, readily convertible into gold at a fixed parity.

The danger remains that the currency dollar crisis may help precipitate a new international economic recession.... It is good to remember that no paper money can serve as a stable measure or store of value. A steady return of the dollar to where it belongs — to the non-preferential position of just another national currency — is a necessity to be kept in mind.

And Who Is Mr. Menshikov?

Interview with Chase Manhattan Bank's East-West Trade Department:

Q: Did you read Menshikov's article in the Sunday Times*?*
A: No, but I know him very well. He's one of those very valuable people who floats around in the East and floats around in the West. He's sort of a 'link.'

Interview with Mr. Robert Mundell, Professor of Soviet and International Affairs at Columbia University:

Q: Did you see Menshikov's article in the Times?
A: No, but I met him once at the Council on Foreign Relations.... On the ruble, there are discussions in Switzerland going on all the time on the Ruble. I'm sure such discussions have gone on recently.

"Just the Flitter of an Idea"

Zygmunt Nagorski had this to say to an inquiring journalist last week:

Q: You recently attended the Houston conference on European trade. What was the general sentiment there about the recent discussions on monetary policy?
A: The participants were mainly echoing their national governments, especially Schultz's position. They felt that the U.S. is too dynamic for world markets, that an increasing dynamic of the German market is necessary.

Q: What was the attitude toward the (Callaghan) proposal on replacing the dollar with a basket of currencies?
A: A basket of currencies is taboo for the Fed.

Q: Even for Miller?
A: Especially Miller. But we need to put more oomph behind the dollar.

Q: How?
A: We must lower the cost of U.S. goods and services.

Q: Wage-price controls?
A: Yes, wage and price controls. I can't imagine what the OPEC countries' reaction would be to a basket of currencies. Then, of course, there is this other proposal, to bring the Eastern European currencies in.

Q: Oh, would that be linked to yesterday's article in the New York Times?
A: Definitely. Menshikov is a mouthpiece of official Soviet policy.

Q: I thought it must have been representative of one faction.
A: Oh, no, he is very much in the swing. Very much on the tie line with Moscow. But of course, it would be absurd to bring the Eastern currencies in. The Soviet economy is weak. Really, I'm sorry I mentioned this. It is really only a proposal floated by left-wing groups here.

Q: Nevertheless, it is very strange to see this, considering the confrontation atmosphere building between Moscow and the U.S. around the Mideast. I really didn't think the Soviets would want to get involved in western monetary discussions.

A: Oh, no, Moscow makes a very firm difference between politics and eocnomics. The confrontation would have nothing to do with it. The Soviets are very much interested in continuing economic relations. But, really, I shouldn't have mentioned convertibility. It is a very marginal proposal. The flitter of an idea. Mostly from the U.S. Labor Party.

Goading the Oil-$ Split

New Times, "Tangle of Interests," by Ruben Andreasyan, March 1978:

(Ruben Andreasyan is a long-term associate of IMEMO, and a specialist on oil and currency questions — ed.)

Nor should it be forgotten that the Common Market countries and Japan would like to be free of dollar dependence, at least in footing their oil bills....

...OPEC's refusal to calculate oil prices in dollars and acceptance of other currencies or the "basket" of West European currencies and the yen would create a qualitatively new alignment of monetary and financial forces in the capitalist world. Washington is aware, of course, that such a decision would greatly undermine the prestige of the dollar. It would lessen the domination of the Wall Street banks.... Small wonder, then, that the U:S. Administration seeks to assure its "friends" among the OPEC countries that dollar stability will be maintained. However, these assurances do not sound very convincing for the oil-producing nations.

Behind the Smokescreen?

Rude Pravo, Czech Communist Party daily, article by Ladislav Alster, Feb. 2:

The weakness and the decline of the dollar are no domestic affair of the United States, but a question of worldwide dimension.... Can the U.S. do anything for the international position of the dollar? Most likely it could ... (for) the U.S. remains by far the greatest capitalist economic power.... Some of the phenomena (of the dollar collapse) ... are indeed alarming, and signal that the partially structural crisis of the capitalist world could easily turn into a high gear crisis, with unpredictable consequences, which to a certain extent would also have an unfavorable influence on the economy of the socialist countries.

(In a follow-up article Alster warned of the danger that:)

Secret groups of insatiable adventurers can turn the economy into a huge roulette wheel.