

# Blumenthal And Kissinger Demand IMF Imperialism Instead Of 'Grand Design'

An eyewitness report from the Mexico City Intl. Monetary Conference

U.S. Treasury Secretary W. M. Blumenthal, former Secretary of State Henry Kissinger, and their City of London colleagues Sir Anthony Favill Tuke III, Chairman of Barclays Bank and Sir Jeremy Morse, Chairman of Lloyds Bank, baldly presented to the American and international banking community May 24 a British System program for the total subordination of "general economic and financial policies...of the nations of the world" to Lord Keynes' International Monetary Fund. Blumenthal's keynote address to the private sector International Monetary Conference stressed that "surveillance" by the IMF is the "cornerstone of a new system." The conference is sponsored annually by the American Bankers Association and was held this year in Mexico City May 22-26.

Clearly, Blumenthal's speech was an attack on the "Grand Design" for East-West trade and industrialization of the Third World launched at the historic mid-May Brezhnev-Schmidt summit in Bonn, West Germany and elaborated by French President Giscard at the May 22-24 Paris conference of African heads of state on the industrial development of Africa in cooperation with the Soviet Union.

Kissinger's speech, preceding Blumenthal's, set the context with a broadside against U.S. participation in all East-West trade and Third World industrialization. Without the U.S., the Grand Design, conceived of by Germany and France with the industrial might of the United States at its center, could never function.

"What the Soviet Union is doing in Africa and parts of the Middle East is incompatible with detente," Kissinger stated, and therefore on all financing of East-West trade "there have to be criteria,...political conditions...tied to the international behavior of these countries (Eastern Europe)." The enraptured *Washington Post* characterized this as "a squeeze." Furthermore, Kissinger emphasized, there are "absolute limits...far below what is needed" to make investment for industrial development which the West can make in developing nations.

Egged on by Tuke and Morse, who solemnly elaborated Blumenthal's plea for "international stability," the sheep of the New York banking community, with David Rockefeller of Chase Manhattan, Walter Wriston of Citibank, and Gabriel Hauge of Manufacturers Hannover heading the herd, applauded Blumenthal and "a statesman and friend" (as Rockefeller put it) Kissinger. What the New York sheep heard, however, was only that part of the City of London's plan they were meant to.

## *The Ghost of Lord Keynes*

In contrast to a vast expansion of international trade and development, under which the U.S., France, West Germany, Japan and other Western nations would implement Hamiltonian government financing of a high-technology export drive, Blumenthal's speech proposed a return to the pre-1974 British Empire world financial structure.

The "surveillance" clause of the recently ratified Jamaica amendments to the articles of agreement of the IMF, announced Blumenthal, must be made the central mechanism for the planning not only of international credit allocation for trade and industrial development programs or foreign exchange rates, but also for "general economic and financial policies...of the nations of the world."

Written by the British-dominated IMF board of directors in 1975 in Jamaica, the second or Jamaica IMF amendments were finally ratified by a majority of the parliaments of the IMF's member nations in April of this year. In a trade-off for the French government's demand that central banks be freed to buy and sell gold to stabilize world currency markets, the British faction at Jamaica, led by British Chancellor of the Exchequer Denis Healey, succeeded in winning for the IMF—on paper—the right to "surveillance" of national economic policies affecting foreign exchange rates of member nations.

Now Blumenthal demands, as his speech below documents, that the IMF must have the inside collaboration "of political officials of high level within their own governments" to determine the *entire economic policy* of sovereign member nations—and national sovereignty be damned. This is a *political power* play, far overreaching either the letter or the spirit of the amendments.

The content? Straight British System economics. What Blumenthal in his speech meant by "orderly growth with reasonable price stability" and avoidance of "maintaining rates of exchange at artificial levels" was more openly drawn in an interview (excerpted below) with an outspoken aide to Assistant Secretary of State for Economic Affairs Julius L. Katz. Katz, a Kissinger appointee who wrote the 1975 International Resources Bank scheme, modeled on Hjalmar Schacht's "Rentenmark", for mortgaging Third World natural resources as a basis for international lending, is part of an explicitly pro-Kissinger element in the U.S. State Department absolutely opposed to Secretary of State

Vance and UN Ambassador Young's promotion of American participation in detente and global development.

Blumenthal wasn't just talking about using the IMF to control profligate borrowing by the poor nations, the aide emphasized. "It's a Japan, Germany, Switzerland problem," he said. The entire advanced sector must implement under IMF direction the reflation program demanded by Blumenthal and British Chancellor of the Exchequer Healey at the last years' worth of Organization of Economic Cooperation and Development (OECD) summits: "stimulate" domestic economies as the British have always done, by printing money and putting it into Keynesian public make-work jobs, with the object of pumping up a financial bubble in stock and financial markets—and of cutting back industrial exports in favor of the domestic crap game.

### What The British Really Want

If West Germany and Japan won't go for the IMF world government, the aide continued—then Blumenthal will unashamedly "talk down the dollar" again and plunge the world into financial chaos, letting President Carter take the blame. London's openly promoted plan to have its own Kennedy family's Ted Kennedy replace Carter is to be furthered by Blumenthal's guerrilla warfare from within against the U.S. dollar.

Now, the New York banking sheep are told nothing of this sort — nothing either, of the rest of the actual British plan for the United States. The New York bankers are frightened by the Third World debt mushroom, frightened by the dollar collapse, frightened by the downslide of the U.S. economy into recession, and frightened above all by the total lack of competent economic policy in the Administration. Having herded these trembling financiers into the apparent safety of the IMF, where they are told the world economy will be gotten strictly under control by the best "fiscal conservative" monetary experts, the British have just begun. For in supporting the IMF, the New York banks are simultaneously supporting the total policy dictatorship of London's G. W. Miller, who has already implemented the IMF's policies inside the U.S. government.

As soon as U.S. should-be financial leaders have made this kind of political commitment to Miller and the IMF, to what they think is stability at last, Britain's Healey and Miller intend to jack U.S. interest rates to the point that the entire overblown financial system is sharply contracted, causing a run on the dollar and the U.S. markets. The City of London in short has scheduled a repeat performance of October 1929, when the New York Federal Reserve under the direction of Bank of England Governor Montague Norman wilfully burst the New York stock market bubble (See *Executive Intelligence Review*, Vol. 5, No. 18, May 9-15).

The British bankers at Mexico City set the trap carefully. Sir Anthony Tuke of Barclays, the President of the Conference, spoke at great length of the "moral" need of international commercial banks to "overextend" themselves into the already illiquid Third World and domestic financial bubbles such as the New York City debt spiral, where Tuke's colleague Felix Rohatyn of London's Lazard Freres this week forced the same New York banks to put another \$2 billion of worthless New York paper on their books or face immediate default and banking panic.

The situation is bad, said Tuke in effect, but we can stave off crisis by simple extension of present speculative policies. Tuke didn't mention the effect that Miller's planned 1929-style interest rate squeeze will have on banks who follow his advice. Sir Jeremy Morse of Lloyds similarly questioned Blumenthal carefully as to whether the IMF "could really do the job of stabilization"... didn't the IMF need ever stronger powers?

The "sophisticated" New Yorkers ate it up. Gabriel Hauge, Chairman of Manufacturers Hannover, insisted with Morse that the IMF needs stronger rules and regulatory powers. Robert Abboud of First Chicago Bank praised Miller to the skies. Walter Wriston, Chairman of Citicorp, scorned a debt moratorium for Peru, and told reporters the country must give itself up to the whims of the IMF and the "markets." (For an exclusive interview, see below.) David Rockefeller took the prize, with a 10-minute eulogy of the man who is trying to destroy him, Henry Kissinger.

—Katherine Burdman

## Blumenthal, Kissinger, And The Sheep

*Exclusive reports from our Mexico City bureau*

### 'Get Germany and Talk Down the Dollar'

*A May 25 interview with Thomas Forboard, aide to Julius L. Katz, Assistant Secretary of State for Economic and Business Affairs, sheds some light on Blumenthal's speech to the private International Monetary Conference in Mexico City on the previous day.*

*Q: Does Blumenthal's International Monetary Conference speech signal a major emphasis on the IMF in U.S. international economic objectives?*

*A: Yes, but this isn't new. Blumenthal said the same thing at the (April 14) IMF Interim committee meeting.*

We are definitely after greater exchange rate and economic policy surveillance of IMF members.

*Q: Is this going through because bankers are nervous about Peru, and so on?*

*A: Peru is the least of it, it's a Japan, Germany, Switzerland problem. We want greater surveillance of the economic policies of Japan, Germany and Switzerland. We have to get the IMF right in there, especially in Germany, to see they are playing their part in world stability.*

*Q: But surely Germany in particular is already*