

German official confirmed to *EIR*'s Wiesbaden bureau: "There was no way—in the short term—that Europe could stem the (antidollar) tide. Yes, the Buba (Bundesbank) and the Swiss National Bank have pulled away the props from dollar support. We can't do more about it now," he added, referring to the EMS fund's potential to generate a scale of dollar export

orders that will turn the situation around. What he did not say is that if the U.S. administration's current determination to force a recessionary collapse to "combat inflation" is allowed to take effect, there will be little American industry left in sufficient shape to enter these new markets.

—Susan Johnson

British 'sick man' ready for the undertaker?

British Prime Minister James Callaghan has kept European Community documents relating to the European Monetary System under lock and key, with access granted only to the Exchequer, not to the rest of the Cabinet, including the Trade Ministry. The Oct. 26 cabinet session, *Executive Intelligence Review* has learned, will be the cabinet's first formal discussion of the EMS, following near-fisticuffs between Callaghan and Energy Secretary Anthony Wedgwood-Benn at a joint Oct. 23 session of the Labour Party leadership and the Cabinet over the EMS, which Benn demanded the government repudiate. Peter Jenkins, a London *Guardian* writer with an inside track to Downing Street, has mooted "associate" status for Britain vis a vis the EMS, a proposal to save face without undergoing the rigors of membership. The Labour Party majority is determined to block any EMS link;

Callaghan is trying to keep open all such options as he possesses.

Why such discord at this and other levels of the notoriously like-minded British Establishment? Because the price of British entry into the EMS has been established at an appropriate downward adjustment of City of London financial-political hegemony, and the pound sterling with it. Yet, the "sick man of Europe" will fare no better for staying out. A quick review of the particulars shows the monarchy's political and economic future to be perched precariously on the knife's edge.

Britain's looming crisis was temporarily postponed in June, when Chancellor of the Exchequer Denis Healey took drastic measures to impose strict controls on UK banking — the so-called "corset" — and jacked up the minimum lending rate (MLR) by a full 1

come to regard the EMS as little more than a thinly disguised version of the old German dominated currency snake.

To this end the Government will be trying to preserve the ability to influence—from the outside—any developments by the snake in the direction of a genuine "European" currency system. . . .

This line of argument from London—although there is some logic to it—will be regarded in most European capitals as the acme of hypocrisy—a case of the British posing as more European than the "Europeans" for the purpose of disguising their government's lack of authority to make a potentially historic decision.

In Britain a consensus of despair seems to have formed around this arcane issue. It is too big a question for lame duck governments. . . .

Callaghan and Healey's original

lack of enthusiasm for the Schmidt-Giscard design was rooted in a certain conviction but now their position seems to be one of canny political calculation. . . .

LONDON TIMES, Oct. 25, 1978

West Germany would not be sorry to see the proposed European Monetary System operating with some EEC members not taking part, according to Dr. Otmar Emminger, president of the West German Federal Bank. . . .

(Emminger's) statements, coming just a few days after the bilateral consultations between the West German and British governments in Bonn suggest that Germany is in no mood to concede points to accommodate the present British ideas on how the EMS should function.

FINANCIAL TIMES, Oct. 25, 1978

The proposed European monetary system is worthless as presently formulated and of no advantage to Britain, according to Lord Armstrong, the chairman of Midland Bank and former head of the Civil Service and of the Treasury.

In what he described as a personal statement, Lord Armstrong said yesterday that he did not think this particular scheme at this particular time was worth a "row of beans."

"I see no advantage in hitching ourselves to a European currency bloc. It does nothing for us against the dollar or yen."

percent — from 9 to 10 percent, putting it back on an “administered” basis at the same time. The occasion for this action was the inflationary expansion of the money supply — running at a 24 percent annual clip at that point in a desperate bid to fuel a “consumer boom” to keep the island’s economy afloat — and a flight out of sterling. The confidence crisis had come to a head in the pivotal government debt market where the City’s institutional investors, smelling inflation and anticipating an “inevitable” interest rate hike to counter the effect of inflation on fixed interest investments, went on strike against purchasing long-term government debt (gilts). Resulting pressure on rates and the Bank of England’s printing presses was sufficient to move Chancellor Healey to action.

The 10 percent MLR reopened the gilt market and the “corset” and related tightening measures acted to brake credit expansion — for the time being. It need hardly be pointed out that the interest rate boost and array of related austerity measures — such as increased corporate taxes — exacerbates the profit squeeze and investment drought suffered generally by British industry, such as it is. Such measures, of course, only postpone the date for a bigger and better financial crisis.

That reality broke through in mid-August when the pound fluctuated violently from \$2 to \$1.90 from one day to the next. UK credit markets, especially the key gilts market, were increasingly paralyzed — fixated on the money supply and on what was rapidly coming to be seen as another “inevitable” interest rate hike.

Ironically, G. William Miller’s British-inspired determination to raise U.S. interest rates “to defend the dollar” has fed the process, putting direct pressure on the Bank of England to maintain sterling’s competitive “earning power” by keeping the price of the currency one step ahead of the dollar. Only the fact that the Miller credit crunch policy is fundamentally a plan to destroy the dollar by collapsing the American economy and has fed the dollar crisis on that account, served to protect the pound.

By September, the monarchy’s rabid *International Currency Review* crowd had admitted that “any renewed collapse of confidence in sterling could trigger off an unprecedented run on the currency” and that quite apart from an otherwise inevitable new burst of inflation, this would occur “once the present U.S. dollar crisis has ceased to shield sterling from speculative attention.”

By October the stage had been set for a rerun of the June crisis in the British financial markets. The consensus among British financial commentators was, as one put it, “There is a jaundiced view abroad of the outlook for British inflation and interest rates.”

More important, the fact that the Bank of England has so far fulfilled its promise to hold the MLR to 10 percent is rapidly becoming a bad joke. Short term

rates are shooting up — Eurosterling rates from 12.25 to 13.5 in just four weeks — and Treasury bill tender rates are pushing 9.85 percent, a rate that would otherwise have pushed an unadministered MLR up a good notch or more. Instead of the widely anticipated financial crisis, on Oct. 19, the Bank of England trotted out an unusual set of money supply statistics and chancellor Healey and Bank of England Governor Gordon Richardson delivered what the West German press described as official pep talks to the (City of London) Lord Mayor’s banquet at the Mansion House.

In what a *Financial Times* columnist referred to as a dose of “port and cigars phraseology,” Richardson intoned that the pound would under no circumstances be devalued. Healey meanwhile asserted that “very large” gilt sales “during the summer” had to everyone’s surprise put the government funding program ahead of schedule — a point the Bank of England went out of its way to make in releasing the monthly money supply figures. For the first time ever, the Bank of England report contained up-to-date details of official sales of government debt, which showed the government to have marketed about one-half of the expected \$6 billion government borrowing requirement for the year. Frayed nerves were soothed. Fear evaporated, chanted the London commentators.

As one columnist noted the morning after, however, “The first point to emphasize is that nothing fundamental has changed.” All signs are go for a run on sterling. The political momentum is overwhelmingly with the British monarchy’s continental adversaries.

— Susan Cohen

Ireland bolts sinking ship

Under the leadership of Premier Jack Lynch, the brutalized country of Ireland is preparing to “break the umbilical cord” with Great Britain and join the European Monetary System, according to both French and U.S. press reports.

Lynch is moving forcefully to take this opportunity to establish Irish sovereignty and shut the door for good on the colonial administrators in London who have turned the tiny nation into a virtual living hell. These moves have forced opposition parties to attack Lynch for, as the October 25 *Journal of Commerce* put it, “rushing headlong into the EMS without fully analyzing its likely effects on an economy that is in poor shape.” It is well known that the British monarchy has used Ireland as a laboratory for testing and refining British intelligence terror, brainwashing, and mass psychological warfare operations and thereby nearly destroying the population, the economy, and the country’s infrastructure.

Columnist promotes 'post-industrial' Britain

"If professors and journalists have misled us about the causes of Britain's illness, is it possible that the whole episode is a case of hypochondria? Is it conceivable that the country has not been declining since the end of the war but in fact, has been enjoying robust health — at least as far as social and economic indicators can measure such things? This, indeed, is so."

Bernard Nossiter, a prominent columnist for the *Washington Post*, in his soon-to-be-published book, *Britain — A Future That Works* (Houghton Mifflin, Boston), promotes the industrial decay of Great Britain as a model for "post-industrial society." According to Nossiter, it is "the choice of leisure over goods" that is the content of Britain's "robust health."

Among the choices of leisure in Britain are legalized heroin addiction. In fact, Britain remains, through its Hong Kong and Shanghai banking affiliates, the world's leading financier of illegal drug-running. The profit from such operations is then reinvested in financial warfare against the U.S. dollar, to help the U.S. attain Britain's post-industrial stature.

Britain is not the sick man of Europe, insists Nossiter. Britain is

the model for humanity's future. Shedding its industry, Britain will concentrate more and more on producing and exporting "things of the mind and spirit—books, medicine, television, music, drama, education (as well as banking and insurance)"—like the so-called Hospice Movement's heroin cure and the incomparable Sid Vicious, two of the more recent British "postindustrial" exports to the United States.

Nossiter has evidently enjoyed the confidences of a good number of top Britishers. Not surprisingly, he pronounces them all essentially committed to the "post-industrial" plan, which, it turns out, "won't wipe out all handwork or indeed all industry." There is "pleasure, profit and even foreign exchange to be earned," we are informed, "from a broad spectrum of skilled crafts." Presumably Mr. Nossiter and his friends wish to assure the Tibetan poppy grower and Hong Kong chemist that they will not lose a job in this new age. As Nossiter states clearly, he is not referring to manufacturing activity of any kind. "There is little joy," he states touchingly, "working in a coal mine, a steel mill, a car assembly plant."

Britain
A Future That Works
Bernard D. Nossiter
WITH ILLUSTRATIONS BY JONAS

Remember all those scare stories about Britain's imminent collapse? This book explains why they went so wrong and how the country's triumph of leisure over goods is pointing the way towards a post-industrial future.

Britain
A Future That Works

Bernard D. Nossiter

It was undoubtedly on this account that Nossiter exercised himself on the issue of Prime Minister Callaghan's invitation to Henry Ford to open a huge auto engine plant in Wales some time ago. Callaghan had perhaps failed to "grasp the point" of the post-industrial strategy, Nossiter worried in print.

Callaghan has apparently clarified the matter. In an Oct. 26 dispatch from London, correspondent Nossiter, guardian of the laborer's joys and champion of Britain-as-the-future, celebrates Callaghan's "leadership" in forcing British workers to crawl back into their decrepit factories with wage increases under the 5 percent wage guideline.