

## International Credit by Renée Sigerson

### The specter of the 1930s

*West Germany has imposed foreign capital controls, drafted by the same men who blocked the mark before.*

The West German central bank, or Bundesbank, announced Dec. 23 that it has obtained from German banks a "gentlemen's agreement" to halt all medium- and long-term loans of four years' maturity and over to foreign nations, especially the Third World. This ban on foreign lending, which amounts to foreign capital controls, will last until March 1981, when it may be renewed again.

The action, which has never been resorted to by any postwar German government, is authored by the same financiers who imposed capital and foreign exchange controls on Germany in the 1930s: M. M. Warburg and Company of Hamburg and its financial partners in the Italian and British oligarchy, the ancient Monte dei Paschi Bank of Siena, and the City of London.

The Bundesbank's Dec. 23 move amounts to foreign-exchange controls; the excuse is that the mark is under heavy attack, as rocketing oil prices induce a severe German foreign deficit. The Warburgs argue, as in 1933 when Max Warburg had Reichsbank chief Hjalmar Schacht impose exchange controls, that to strengthen the mark, Germany must slash domestic credit and pull marks abroad back home.

The West German capital controls were developed at the Oct. 24 meeting of the Hamburg International Monetary Conference of 60 German, Italian, British, and American monetary economists, according to U.S. Federal Reserve

Governor Henry Wallich. The Hamburg group was founded in 1967 at the Monte dei Paschi's Bologna, Italy villa.

"We discussed the need on a world scale to control the excess creation of international credit, and to cut back growth in the Eurocurrency markets," said Wallich (see page 6). "The U.S., and all Western countries need to pull back on international lending sharply.

"We noted that Germany's problem is deutschemarks being created abroad by German and other banks, which has led to a long-term outflow deficit. As Germany's current deficit widened with rising oil prices, they had two choices: they would continue to finance both deficits by borrowing from OPEC, or restrict capital outflows. The Saudis did not provide enough, and the option to restrict outflows was taken.

"The man responsible for this radical new departure was one of our Hamburg members, Bundesbank Deputy Governor Helmut Schlesinger."

The Hamburg group today is nominally a U.S.-German organization, sponsored by two famous German think tanks, the Hamburg Weltwirtschafts Archiv and the Institut für Wirtschaftsforschung, which do most of the Bonn government's economic planning, and by Claremont, California Graduate School Professor Randall Hinchshaw, who first organized the group as a Bologna fellow.

More interestingly, the conference is funded by M. M. Warburg and Brinckmann Wirtz and Company. Eric M. Warburg, the bank's chairman, sits on the conference advisory committee. Behind Warburg are his Italian and British seniors.

Conference members include Giovanni Magnifico, top economic counselor to the Bank of Italy, and Tomasso Padoa-Schioppa, director for economic affairs of the European Commission. From Britain come Lord Robbins, chairman of the London School of Economics, Lord Kaldor of the British Exchequer, and Christopher McMahon, deputy governor of the Bank of England.

It is the secret Mont Pelerin Society, and its spinoff, the Siena Group, however, that really control the Hamburg Conference. Mont Pelerin is the international umbrella organization of economists in the Anglo-Italian tradition of *monetarism*, founded in 1947 by Friedrich von Hayek, economist to the Hapsburg nobility, whose finances are run by Genoa and Siena banking.

Mont Pelerin, whose leading U.S. member is Milton Friedman, has advocated world financial autarchy since the war, calling upon the United States, Germany, and others to impose foreign and domestic capital controls, form regional currency blocs, and pull out of world markets for "stability." Its Siena Group meets yearly at Monte dei Paschi's Siena villa.

The Hamburg Conference includes more than 10 Mont Pelerin-Siena members, led by Magnifico, Robert Triffin of the University of Louvain, and Armin Gutowski, head of the Hamburg Weltwirtschafts Archiv.