

bad paper, and depending on the price relation between commodities and the U.S. dollar, the strategy may or may not be viable.

Prospects for success in the scramble for collateral are not easy to predict. What is clear is that the surfacing of the existing financial crisis dominates the maneuvering of America's largest bank. On July 30 Wriston let reporters know that Citicorp was considering selling off the core of its domestic assets in a \$20 billion package to a foreign bidder, and reorganizing itself into an international banking and domestic "financial services" operation without the burden of a brick-and-mortar branch network. This incredible suggestion might have been motivated by the bungling of Senior Executive Vice-President John Reed's push into retail banking, which led to staggering loan losses in the consumer sector.

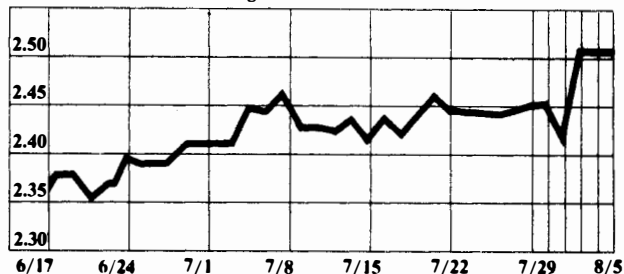
What is obvious about Wriston's proposal, however, is also true. Citibank wants to liquidate areas of previous expansion for cash, rather than borrowing to expand aggressively, as in the past. The same motivation is at work in last week's "deep discount" Eurodollar bond issue, in which Citicorp gave investors a 66¾ percent price on a bond bearing no coupon, but payable at 100 in three years. At maturity the bond yield works out to 14.42 percent, giving investors a competitive interest rate, and allowing the bank to get hold of \$66.75 million interest-free for three years. Who is leading the dance is self-evident. Phibro bought up Citibank's international department chief as well as its investment banker, in the midst of a major international reorganization. Anglo-American, along with the British Petroleum-Selection Trust combination, is a pillar of a British-centered raw-materials empire that controls what hard assets are available as a crisis "insurance policy."

As *EIR* reported in our July 21, 1981 issue, a much larger percentage of U.S. corporate equity, in the range of 20 percent of the total, is held by foreigners than Treasury figures indicate. Who actually controls Citicorp stock is not clear. But what has happened, as of the Salomon Brothers merger with Phibro, is that the myth of aggressive, independent American commercial and investment banking is dissolving like mist. From the vantage point of the long run, the British, Swiss, Italian, and other financial powers whom Anglo-American recognizes never considered the international reserve status of the American dollar as more than a temporary nuisance following the Second World War. Real power, in their view, lay in maximum control over the only acceptable international reserve asset were the dollar to fail, namely gold, and in raw materials in the ground. Apparently, financial policy-making at the big U.S. institutions has reverted to these criteria.

Currency Rates

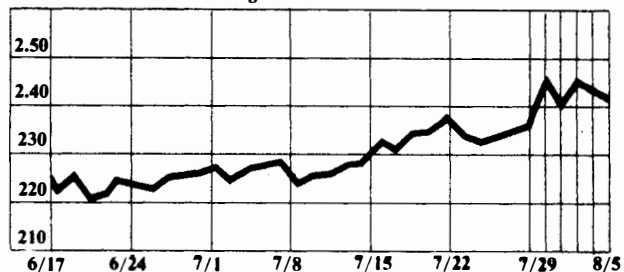
The dollar in deutschemarks

New York late afternoon fixing



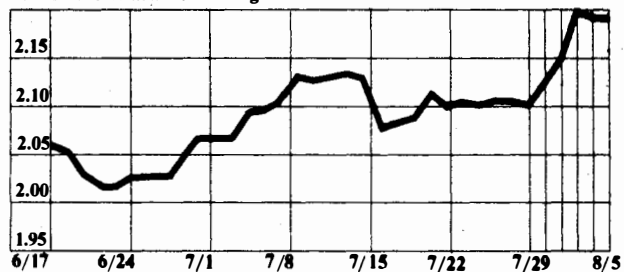
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

