# A new monetary system for a depression decade?

by Renée Sigerson

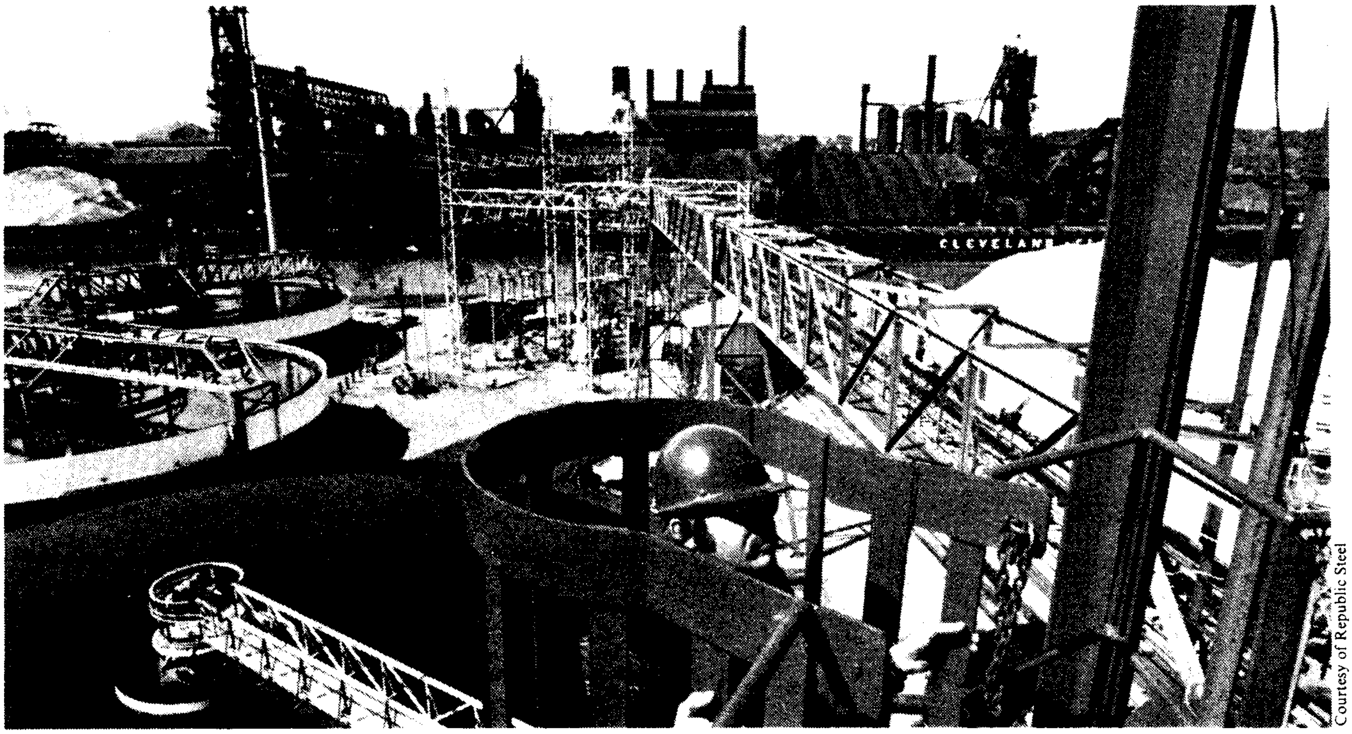
Reports arriving from Western Europe indicate that during the week of Dec. 6-10, in a series of non-stop meetings in Basel, Switzerland, the Bank for International Settlements (BIS) has launched a serious effort to set up some kind of "new international monetary system." As the news of this private central bankers' conspiracy sinks in among influentials in such capitals as Washington and Bonn, one hopes there will be some outcries against the presumption of the BIS in undertaking a new world monetary arrangement without even bothering to consult with the sovereign governments concerned. For those protests to have some meaning, however, it is necessary to take account of the urgent economic questions which are the backdrop to the BIS affront.

European press accounts and *EIR* interviews document that the major item on the agenda during those BIS deliberations was the precipitous collapse of the U.S. economy into "deep recession" (i.e., depression), and the way that the U.S. economic downfall is driving Europe into a similar economic collapse. "The length and severity of the U.S. recession . . . has become a key issue for the policy of central banks in general," Germany's *Süddeutsche Zeitung* noted Dec. 10 about the BIS event.

Keeping in mind that the BIS was founded in 1931 on the recommendation of an elite grouping of European financial-oligarchical interests to "crisis-manage" the Great Depression, it is no surprise to discover that the content of the BIS's scheme amounts to nothing more than using the economic tailspin of the U.S. economy to lock the rest of the world, irretrievably, into a 1980s Second Great Depression.

What the central bankers have agreed to do is to "coordinate" interest-rate, foreign-exchange, and credit-tightening policies in such a way that at each point that the U.S. economy ratchets downward toward economic standstill, increasing margins of austerity can be imposed on European industry and labor. Commenting on this "coordination" scheme in the Dec. 10 *Financial Times,* correspondent Samuel Brittan pronounced that "a new world monetary system is coming into being" as a result of these agreements. Emphasizing that U.S. Federal Reserve chief Paul Volcker—whose interest rate strangulation of U.S. credit since October 1979 has been the primary trigger for the current onset of global depression—is completely in agreement with the BIS plan, Brittan adds that the character of this new system is that it entails "returning, by a very different route, to a dollar-based system."

In other locations, the new central bank plan has been described as a scheme to link the dollar with the European Monetary System (EMS), the eight-member currency-stabilization bloc which has existed since March 1979. According to the London *Economist,* last week the Belgian government began circulating a proposal to member governments of the European Community, suggesting that pressure be exerted on Washington to hand control of the U.S. dollar exchange rate over to EMS authorities. The Belgian proposal, originally



*The BIS plan: to derail the dollar and submit U.S. industry to '30s-style contraction.*

drawn up by Louvain University Professor Robert Triffin, would entail the U.S. Fed exchanging approximately $15 billion in foreign exchange lines of credit (called swaps) for European Currency Units, the accounting unit used within the EMS. Should the Fed want to intervene on international foreign exchange markets to protect the U.S. dollar, the ECU-denominated swaps would require the Fed to inquire from the EMS authorities on which European currency it would be permitted to use to perform the intervention. Normally, the currency used for U.S. protection of the dollar is the German mark. If the BIS clique, which at this point largely controls the EMS, could order the Fed to, let's say, instead intervene in Dutch guilders, the BIS would by default have gained control over setting the dollar's exchange rate in relation to every currency in the world.

The BIS manipulations to assert control over the dollar are receiving support from some circles in Washington worth naming. In the last month, a new financial think tank has been created in Washington called the Institute for International Economics, with funding from the zero-growth foundation, the German Marshall Fund (see *EIR*, Dec. 15). The chairman of the IIE is former U.S. Treasury Undersecretary C. Fred Bergsten, who IIE economists report has been working on a global program for a "multi-currency reserve system" for some years, and has brought this whole project now into IIE. The IIE profiles itself as the operation which is striving now to "fill the vacuum" in U.S. foreign economic policy deliberations, and the core of its recommendations center on making the International Monetary Fund (IMF), the old Bretton Woods emergency lending institution which effectively is an instrument now of the BIS, the central coordinating instrument for global crisis-management of the world economy over the next decade.

### Is Washington sleeping?

To what extent are U.S. government officials aware that Europe's Venetian-British oligarchic axis, which runs the BIS, thinks the time has come for them to take control of the U.S. dollar?

Inquiries into U.S. government offices this week revealed that there has been much more alarmed discussion over the Triffin proposal, the Belgian efforts, and talk of linking the dollar to the EMS than most observers would expect.

One official source reports that it is the unstated but official policy of the Reagan administration to reject any proposal for linking the dollar to the EMS. The problem is that Washington has done this on the basis of proposing, as an alternative, that governments simply leave currencies to "free-market forces" and do nothing to rectify the world monetary system.

It has been a pathetic indication of the crisis in the Reagan administration that since April, the United States has had an official policy called "non-intervention" on foreign-exchange markets. The chief spokesman for this policy has been Treasury Undersecretary

Beryl Sprinkel, a Friedmanite economist. Sprinkel and his do-nothing policy have become objects of ridicule throughout European financial circles, helping to convince even such serious pro-American European leaders as West German Chancellor Helmut Schmidt that because of the gravity of the world economic crisis, they have no choice but to at least make concessions to the BIS as a form of "crisis management."

The effect of Sprinkel's ideological stance on European policy-making was shown in a benchmark speech given in Paris at the end of last month by German central bank head Karl-Otto Poehl. It is known that Poehl personally acts as a mouthpiece for the BIS; and his name appears on the Board of Directors of the IIE set up to manipulate Washington by the German Marshall Fund.

Nevertheless, Poehl's remarks, cited here, signal that Schmidt—who periodically clamps down on Poehl's public statements—sees his options for reaching out to Washington on economic policy narrowing with every passing week. Poehl stated:

> As the year draws to a close, perhaps the only good thing we can say about it is that "the crash of '79" has not occurred. . . . there can be no question about the seriousness of the economic situation at present. . . . I hesitate to use the word "crisis," but I believe that what I shall have to talk about tonight is a crisis scenario if ever there was one in the postwar years.

After documenting the economic ills hitting Western economies, Poehl then attacks Western governments for refusing to engage in enough crisis-management. "Government policies have often made problems more intractable rather than helping to solve them," he continued. "They have often encouraged resistance to change because they nourish illusions about government ability to deal with difficulties where that ability simply does not exist." Poehl concludes with a first-time-ever endorsement by a high-ranking German spokesman of the Belgian plan to make the ECU "the forerunner of a common European currency," the companion idea to linking the dollar to the EMS under BIS control.

Since that speech on Nov. 27, although Poehl's remarks still do not represent official German policy, a series of informal deals have been carried out among European central banks which amount to a stepping-stone to formally using the ECU as a currency bloc to fix the dollar.

Last week, within days of each other, the German, Swiss, and Dutch central banks lowered market-setting discount rates in a coordinated action aimed at putting emergency liquidity into their banking systems. It was following these moves that on Friday, Dec. 4, the U.S.

Fed funds rate, for the first time in months, broke the psychological barrier of 12 percent.

As an informed German banker emphasized in the wake of this test case for crisis-management, "the main point is *not* to pass lower interest rates on to the economy" in these countries, "but rather just to plug the holes which would rip open in the financial system if rates stayed too high."

A French government official commented on the whole exercise by describing the intentions in this deal of Finance Minister Delors, a figure whose role in the BIS gameplan can best be described as that of a Jacobin who hopes to use the BIS's controlled depression to drive France back into a pastoral condition. The French official stated that "what Delors would like is a kind of interest rate 'snake', a coordinated policy on interest rates. But he thinks this will be difficult because setting interest rates has been one of the main means of action by national governments. He thinks governments will not want to abandon" this power.

### Washington's maneuvering room

There is little encouragement to be had from the meeting being held the week of Dec. 7-11 between members of the U.S. cabinet and the top bureaucracy of the European Community. Through a series of manipulations arranged by State Department zero-growth spokesman Meyer Rashish in late November, on Dec. 11, Secretaries Haig, Baldridge, Block and Special Trade Representative Brock converge in Brussels for consultations with EC Commission head Gaston Thorn and EC Industrial Commissioner Count Davignon.

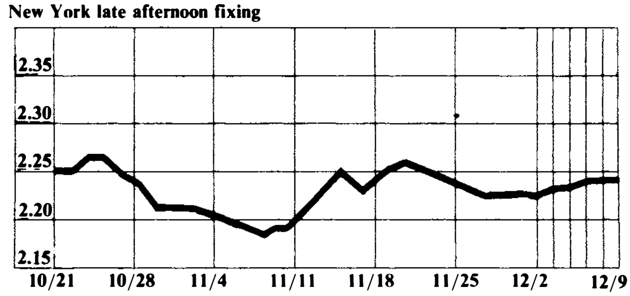
The meeting, unfortunately, is expected to do nothing more than launch a condition of near trade war between the United States and its European allies. The U.S. representatives are expected to go into the meeting with a long list of grievances about European producers' dumping of steel and agricultural goods on the U.S. market. Davignon has already prepared a "crisis-management" solution to these problems, which would entail cartelizing world production on these markets, a type of European-U.S. parcelling out of a shrinking world economy which fits perfectly into the BIS's emergency currency-management scheme.

If Washington is to extricate the West from this catastrophe, it will first have to recognize the gravity of the *global* crisis underway and then take the necessary steps to build bridges to those Europeans like Schmidt who genuinely want an economic recovery. One German banker who disagrees with the BIS gameplan told *EIR* Dec. 9, "About the only thing you can hope for is that things in the United States develop such that Reagan can finally point at Paul Volcker, and make him responsible for social turmoil and mass unemployment, and force a change of policy."

## Currency Rates

### The dollar in deutschemarks

New York late afternoon fixing




### The dollar in yen

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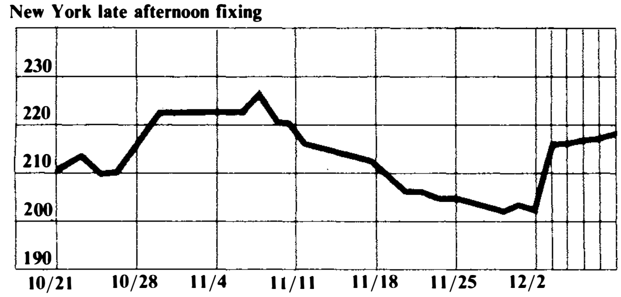
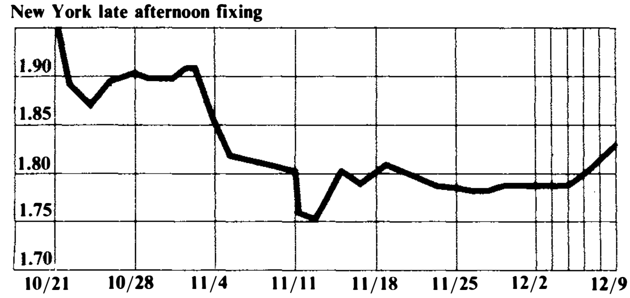



### The dollar in Swiss francs

New York late afternoon fixing




### The British pound in dollars

New York late afternoon fixing