

## The Ditchley Group plans a new IMF world order

by C. L. Magister

A spokesman for the National Democratic Policy Committee of Lyndon H. LaRouche, Jr. announced today that the NDPC seeks prosecution of the "Ditchley Group" of commercial bankers for blatant violation of and conspiracy to violate U.S. anti-trust law, including the Sherman Anti-Trust Act of 1890 and the Clayton Act of 1914.

The Ditchley Group of 36 international banks, led by British banks including Lloyds and Barclays and major U.S. banks led by Morgan Guaranty, convened secretly in Washington Jan. 10 and 11. The LaRouche spokesman charged the group functions as an international "creditors' cartel, worse than the 19th-century Standard Oil combine."

The Ditchley bankers plan to use the cartel to force the establishment of a "new Bretton Woods monetary system." The cartel has already succeeded in cutting lending to the Third World by over 50 percent since its formation in May 1982; but that is just the beginning. They have done so to deliberately create a world debt crisis, forcing nations to call in the IMF, as officials of Morgan Guaranty including chief economist Rimmer de Vries have affirmed (see *EIR*, Jan. 18).

The banks have taken up a plan now being circulated by former British Chancellor Lord Harold Lever to revamp the International Monetary Fund as a "world central bank," Washington insiders say, which will lead to the re-chartering of the IMF with supranational powers. "Not only have the banks set up a cartel which is controlling international lending, but it is a cartel run by the IMF," Richard Dale of the Brookings Institution told *EIR*. "It's too ad hoc, and has to be formalized. . . . The role of the IMF must be expanded and its charter changed . . . the IMF must take a more dirigist

approach to the entire world economy."

The plan would eliminate the national sovereignty of the United States. As a source at the Washington Overseas Development Council said bluntly, "Credit is to be regulated according to international arrangement," by the IMF, and "the United States is to be treated like a Third World country."

### Illegal embargo

The British-run Ditchley Group of banks, founded at Ditchley Park in London, has already acted as a cartel, in flagrant violation of U.S. law, to embargo credit to the Third World. During the second half of 1982, after the Ditchley group was founded in May, the published figures in Morgan's own *World Financial Markets* show the cartel reduced lending by over 57 percent to the non-oil-exporting developing world.

This drastic reversal in international lending, compared with the 40 percent annual rate of increase in these banks' loans during 1974-81, could only have been accomplished by a tight conspiracy.

Under the Sherman and Clayton Acts, mere conspiracy to do this, let alone proof that it has been done, is a felony. "Monopolization [by] a group of persons using their power to lend money . . . with purpose of stifling actual or potential competition" was ruled illegal in 1954.

The Ditchley Group claims that its aim is merely to exchange information on bank lending to developing nations, by setting up what one Citibank official called a "global risk-analysis bureau." The group announced on Jan. 12 it has established an Institute of International Finance in Washing-

ton to carry out this "exchange of information." Secondly, the Ditchley Group will also "disseminate explanations of policy scenarios" for banks to use in judging whether or not to loan, one banker said. To receive credit, borrowing nations will be required to demonstrate "willingness to adhere to IMF conditionalities," he added. "When a country needs to devalue, and the IMF tells them to do so, they must do so." This alone is conspiracy.

Publicly, Ditchley spokesmen deny the cartel charge. "Certainly it might be desirable for the banks to withhold credit as a group, but this is illegal," one Morgan official admitted. In fact, however, Ditchley leaders state privately that the group means to "control" international lending as a cartel. There have been too much borrowing and "too many reschedulings," the banker told a journalist. "Previously, because of bank competition, countries who refused to make adjustments could get loans anyway. The commercial banks must act themselves to get the situation back under control. We want to make sure borrowers don't play one bank against another [to get more loans]." The banks wish to "exercise enough clout to persuade borrowing nations" to cut their credit consumption drastically, Ditchley organizer George Clark, executive vice-president of Citibank, told the *Wall Street Journal* as early as July 1, 1982.

## U.S. to foot the bill

International press coverage of the LaRouche anti-trust charges, particularly in Latin America, to which the cartel has cut credit to zero, has already caused the Ditchley Group a good scare. TV Globo in Brazil Jan. 12 ran a spot on the National Democratic Policy Committee demonstrations against the Ditchley meeting. The leading Mexican papers *El Sol* and *El Diario de Mexico* covered the charges with headlines the same day, as did the Peruvian daily *El Observador*.

Fear of exposure and potential legal consequences lead the British banks and some of the biggest German and French banks to downplay Ditchley's significance and deny their attendance at the meeting entirely in some cases. Even Barclay's Bank official Sir Peter Leslie, one of the original Ditchley Group organizers last spring, told *EIR* through a spokesman that Barclay's was "keeping at a distance" from the new cartel.

Commented one British banker, "It was a big mistake to found [the Ditchley Group] in the United States, from a legal standpoint." The British persuaded David Rockefeller's Chase Manhattan to do their dirty work for them, since Ditchley's Organizing Committee is chaired by Chase vice-chairman William Ogden.

The British hope to set up the Treasury of the United States, which would pay for a vast expansion of the IMF's resources as well as back up the new IMF world central bank with U.S. dollars, as the "fall guy" in any world banking crisis. By lobbying Congress for a major bailout, while en-

forcing lending policies that ensure that such a bailout will only work for weeks at best, Chase Manhattan has bought itself the worst of both worlds: by "cleverly" tying the United States' own credit to the bankrupt \$1.4 trillion Eurodollar market, it ensures that the American banking system will take the entire brunt of the monetary catastrophe that will hit, most probably, at the beginning of the second quarter of this year.

British bankers, by contrast, dumped as much of their short-term debt holdings with respect to Brazil and other major developing-sector debtors, starting last October and building into what the London *Times* of Dec. 20 described as a "run" against Brazil at the end of the year. In effect, they have used the Ditchley operation to dump this paper into the laps of New York banks, American regional banks, and the Treasury itself.

The death of world credit markets also means there will be "no recovery in the United States," a top IMF official in charge of the U.S. economy said Jan. 12 (see *Business Briefs*). That, together with bankers' worries that the Federal Reserve cannot lower interest rates much more without collapsing the U.S. dollar, brings the United States another step closer to a crisis which could break the Reagan administration.

## The new world central bank

Meanwhile the British and the Ditchley cartel seek to blackmail the Reagan administration into pushing the new IMF world central bank plan, and to panic the U.S. public and Congress into approval. Washington insiders predict a series of policy crises meant to either topple Reagan or force him to support the IMF plan within the next weeks (see *National*).

President Reagan is being briefed on the need for a new IMF dictatorship by Secretary of State George Shultz and Treasury Secretary Donald Regan, and Washington sources close to Ditchley say "the effect will be achieved." Indeed, in his Jan. 6 press conference the President exhibited his fear of the threatened world blowout and openly called for a "bailout." "We have been taking a number of steps with regard to the International Monetary Funds that are available for bailouts," the President stated, "Increased the contributions to those. . . . If there was widespread default, there would of course be some very severe financial problems," he added.

Administration sources report that the Reagan Cabinet Task Force on International Economic Policy met Jan. 12 on a plan to "re-charter the IMF." "Discussion of the IMF charter reform is all over Washington," House Banking Committee sources said, "and the plan promoted by Secretary of State George Shultz is based on Lord Lever's Churchill Lecture of last year."

The plan surfaced in public briefly Jan. 10 when former U.S. Treasury Secretary Henry Fowler called for the IMF to be transformed into a "world central bank" before the Senate

Foreign Relations Committee's hearings on international debt. "The IMF is evolving into a different kind of function than established at Bretton Woods," he said. "Since then, a huge international market, the Eurodollar market, has grown up outside the scope of central-bank supervision, and its supervision is not provided for in the IMF charter. That gap has to be filled. We should look at the IMF and see if its charter needs to be revised. Now is perhaps the time to talk about a world central bank . . . and see if we should move the IMF in that direction."

In his testimony, Fowler cited a plan for the IMF to control all future commercial bank lending, floated by New York Federal Reserve President Anthony Solomon in an Oct. 7, 1982 New York speech. Solomon called for "governments, working with the IMF, to *indicate* amounts of future private lending to major or financial troubled borrowers *necessary or desirable* [emphasis added]."

Fowler included this recommendation in a nine-point program which included proposals for the IMF to "develop special procedures to coordinate . . . debt rescheduling and renegotiation of debts public and private, as well as massive financial expansion of resources for the IMF by the United

States and others."

In an interview, former N.M. Rothschilds official Richard Dale, who is close to both the Bank of England and the office of Secretary Shultz, described the new proposal by noting: "The era of free market lending is over. Not only have the banks set up a cartel which is controlling international lending, but it is a cartel officially orchestrated by the Fund. Banks are lending only where they're told to lend under a quota system run by the IMF. Right now the IMF is setting minimum quotas. Eventually they would have to get maximum quotas. But the real problem is it's too ad hoc, and has to be formalized.

"The role of the IMF must be expanded and its charter changed," balance of payments in advance, plan where the deficits will be allowed, and how large they may be. The IMF must take a more dirigist approach to the entire world economy, not just the Third World.

"There must be more IMF surveillance of U.S. and OECD budget policy, interest rate policy, and other domestic policies. There must be IMF surveillance of exchange rates, including in the Third World where the rates are managed. If

## The Ditchley Group: its banking leadership

Named for London's Ditchley Park, where it was founded in May 1982, the Ditchley Group is a cartel of over 36 international commercial banks run by the British banks, the IMF, and the BIS.

The top 20 major U.S. banks, led by Morgan Guaranty, Citibank, and Chase Manhattan, are active and appear to be leaders of the Ditchley Group. William Ogden, vice-chairman of Chase Manhattan, is the chairman of the Ditchley Organizing Committee, which is based in Washington.

But the Ditchley conspiracy originated in Britain. Since Peter Leslie, Senior General Manager of Britain's Barclay Bank, organized its first meeting at Ditchley Park in London, the group has in fact been run by British banks such as Barclays, Lloyds, National Westminster, and Midland Banks, who attend all Ditchley meetings.

The Bank of England control of the group will be exercised by Sir Robyn Leigh-Pemberton, the new Governor of the Bank of England, who until last month was chairman of National Westminster Bank.

By means of the Bank of England, Ditchley policy is made by the supra-national Bank for International

Settlements in Basel, Switzerland, which controls the Bank of England. BIS Executive Director Alexandre Lamfalussy sends aides to all Ditchley meetings, as does International Monetary Fund Managing Director Jacques de Larosière. Peter Cooke, the head of BIS's "Cooke Committee" of world bank regulators, attends most Ditchley meetings and tells the banks what the BIS considers to be "prudent levels" of world lending.

In fact, it was BIS President Fritz Leutwiler who first called for the establishment of a bankers' cartel in a March 1982 speech in Mainz, West Germany. "Banks will have to tighten their lending," the Swiss announced, and "an ad hoc body of international institutions will have to step into the breach."

U.S. officials close to the BIS who routinely attend Ditchley meetings include New York Federal Reserve President Anthony Solomon, other Federal Reserve officials, and C. Todd Connover, U.S. Comptroller of the Currency, who represents Treasury Secretary Donald Regan.

U.S. bankers involved include Mr. Ogden of Chase Manhattan, Citibank executive vice-president George Clark, Morgan Guaranty executive vice-president Werner Stange, Morgan chief economist Rimmer de Vries, Manufacturers Hanover Executive vice-president Donald G. McCouch, and representatives of Bankers Trust, Chemical Bank, and other major U.S. banks.

there is going to be an end to the free market in exchange rates, the IMF must manage any Third World programs of exchange controls.”

Dale added that the Yugoslav debt crisis, just at the verge of a blowup, will set a precedent for this sort of action. Undersecretary of State Lawrence Eagleburger just showed up in Yugoslavia, praising the country for paying its debts by accepting an International Monetary Fund austerity program. The Yugoslavs, for their part, took an extraordinary action on behalf of the expanded powers of the IMF, calling a meeting with their banking creditors in Switzerland for Jan. 17, to be chaired by the International Monetary Fund—giving the IMF de facto powers as mediator over the private banks’ operations.

### IMF quotas: only the first step

Thus, the Ditchley Group is also engaged in conspiracy to give the International Monetary Fund total control over the United States, as a source at the Washington Overseas Development Corporation close to Ditchley indicated Jan. 13.

Last October, at a Ditchley meeting, “the bankers took out their calculators and reached the startling conclusion that the debt cannot be repaid,” he said. They decided that credit is a “political question,” he said, and that if the banks were to be bailed out, “we must end the idea that credit is a sovereign instrument, regulated by individual countries.”

The decision was made, he said, to “force a new international monetary conference” to establish a “new Bretton Woods” system run by the IMF. The first step, he said, “is to create a climate in the Congress where no responsible public official will say they are against the IMF.” The entire purpose of the Jan. 10 *Time* magazine cover story on the world “debt bomb” crisis, he said, is “theatre. Things are being played up for effect.”

The first step has been to force President Reagan himself to sell a vast expansion of money to the IMF on Capitol Hill, including a \$60 billion expansion of new IMF quotas and other IMF facilities. Richard Dale and other Washington insiders believe that Congress will have no choice but to ratify this initial step in the plan.

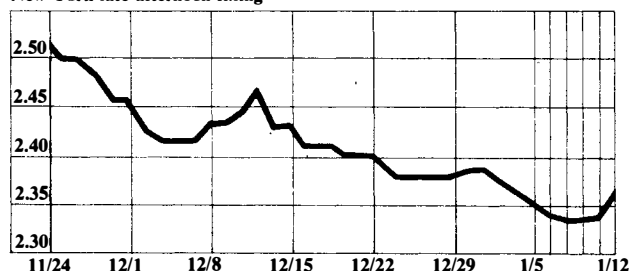
In fact, the Ditchley Group has planned for months to panic the Congress. “The desires of the U.S. government notwithstanding, they must pay into the new IMF expansion,” a Morgan official threatened as early as last August. “The private banks want the IMF in Mexico and other countries as a policeman. Only the IMF can force Third World governments to tighten their belts.” If the Congress balks, he predicted last August, there will be “further financial crises such as that of Mexico.”

The expansion of IMF quotas is only step one, to “test the political temperature” in Washington for the new IMF expansion, a British official at the IMF said. “We’re waiting to see what happens to the quotas. We’re working with the U.S.” on the rest of the plan, he said.

## Currency Rates

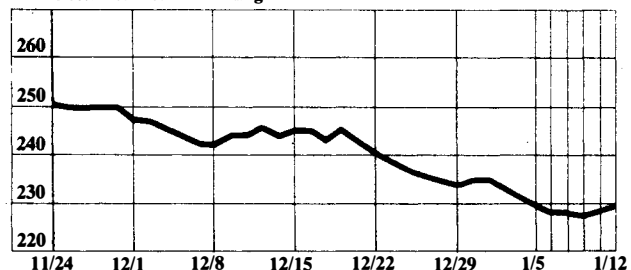
### The dollar in deutschemarks

New York late afternoon fixing



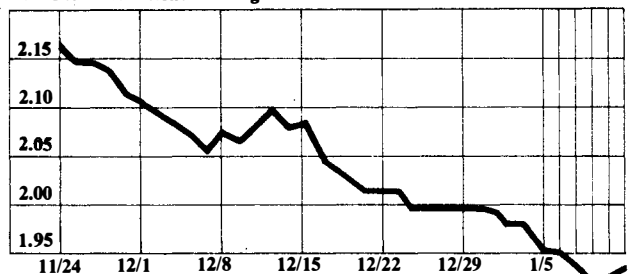
### The dollar in yen

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

