

The effort to merchandise a 'New Bretton Woods' system

by Kathy Burdman

Led by British Chancellor of the Exchequer Sir Geoffrey Howe and his aides-de-camp, U.S. Secretary of State George Shultz and Treasury Secretary Donald Regan, the Group of Ten (G-10) industrial nations formally called on their congresses and parliaments Jan. 18 to pay a \$50-\$60 billion dollar expansion of funds to the International Monetary Fund (IMF). Meeting in Paris, the Group of Ten, nominally chaired by French Finance Minister Jacques Delors but run firmly by the British Lord Chancellor, established an "emergency fund" of \$19 billion at the IMF, replacing the old General Agreement to borrow and expanding its lending powers to handle Third World debt crises. The G-10 also called for a \$35-\$45 billion increase in nations' quotas to the IMF. Dropping the usual two-year lead time for a quota increase, the Group of Ten demanded national governments ratify all of the new funds and powers for the IMF by the end of the year.

The IMF cash expansion plan is the first step in a strategic humiliation of the United States and other national governments, which is presently scheduled to climax later this year in the establishment of a "new Bretton Woods" monetary system, run by the IMF as a supra-national government. Just after EIR Founding Editor Lyndon H. LaRouche, Jr. warned Washington officials of the scheme, spokesmen for the British and Swiss banking families demanded before the Senate Foreign Relations Committee Jan. 18-19 that the IMF be turned into a "world central bank" to control the entire world debt structure and impose "conditionalities" everywhere.

The IMF itself announced that an emergency meeting of its Interim Committee, chaired by British Chancellor Howe, was being scheduled for Feb. 10-11 in Washington to ratify the plans for IMF cash expansion post haste. The IMF's Interim Committee meeting was moved up from its usual late April-May date because of the world debt crisis, IMF officials told EIR.

IMF officials in Washington claimed Jan. 20 that the \$60 billion IMF quota expansion, the first step in the new IMF world order, is already in the bag. "So much progress has been made on negotiations to vote new quotas from various governments for the IMF that we feel confident and justified in calling a meeting at this time," said an IMF spokesman.

With their IMF caper, the British and Swiss gnomes are setting up the United States to foot the bill for a world banking crash and a new fascist world order, LaRouche told Washington.

Setting up the stampede

The IMF's demand for a new \$60 billion cash quota increase is only the first step on the road to IMF dictatorship, according to the gnomes' scenario, he said. If the Reagan administration and the U.S. Congress are stupid enough to vote up the IMF quota increase this spring, he added, then the United States will have already politically capitulated to the IMF. If that happens, the Anglo-Swiss gnomes next plan to pull the plug on some major Third World country and set up an international banking crash, he said. The U.S. Treasury would be expected to try to bail out the banks with U.S. dollars.

By the time the heads of governments of the principal OECD nations meet for their annual economic summit in Williamsburg, Va. this May or June, according to the British-Swiss scenario they will be "stampeded" into rubber stamping the plan for a world IMF dictatorship.

As we reported last week, the new IMF blueprint is being circulated by former British Chancellor Lord Harold Lever—to revamp the International Monetary Fund as a "world central bank," which will lead to the re-chartering of the IMF with supra-national powers. The Lever Plan is being pushed in America by the Ditchley Group, the "creditors' cartel" of 36 British, Swiss, and U.S. commercial banks which has cut off all lending to the Third World.

"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 take a more dirigist approach to the entire world economy."

The British scheme has already been introduced at the U.S. Cabinet task force on international economic policy Jan. 12 by Vice President George Bush, who runs the group, Treasury Secretary Donald Regan, who chairs the group, and

his idea-man, George Shultz. It is being coordinated directly with the British government, Congressional sources said. The Bush-Shultz-Regan group wants President Reagan to propose the IMF rechartering as a joint British-U.S. proposal to other leaders at the Williamsburg summit.

Brainwashing the U.S. Congress

In the Congress, resistance to the first step, expansion of the IMF quotas, has all but evaporated, and the brainwashing of Congress on the need for a broader new Bretton Woods system has begun. The audacity of the brainwashers has startled Washington observers. President Reagan's open surrender of U.S. monetary powers to the IMF and the Basel-based Bank for International Settlements (BIS) was demanded during the U.S. Senate Foreign Relations Committee hearings on world debt held Jan. 18-19 by Senator Charles Mathias (R-Md.)

Speaking for the Ditchley Group bank creditors' cartel, Rimmer de Vries, the chief economist for Morgan Guaranty, told the hearings that the U.S. "should consider becoming a member of the Bank for International Settlements," the Swiss-based central bank for central banks which controls the IMF, as the only way out of the world debt crisis. "There should be a reconsidering of the U.S. hesitancy manifest over the past 50 years," he stated.

Never since 1930, when Senate Banking Committee Chairman McFadden charged that the foundation of the BIS was a Swiss-Morgan plot to control American finances and prevented the United States from joining the Swiss bank, has this issue been raised in the U.S. Congress. De Vries said that with the BIS's help, the Ditchley creditors' cartel would "come together with the IMF and the BIS central banks" and try to manage the crisis.

De Vries added that the first step toward the new IMF-BIS world order is for Congress to immediately pass the IMF quota and emergency fund expansions.

Felix Rohatyn of Lazard Freres, the New York City banking house controlled out of its London and Paris headquarters by the oligarchy, echoed de Vries in demanding the IMF quota and emergency fund expansions as a first step by reorganizing the entire world debt structure under the IMF, the BIS and the World Bank.

There must be no more free market in world lending, Rohatyn said. "We should question whether private banks should be in the business of making long-term loans to governments," he said, and added that all future lending to the Third World must be controlled by "the international financial institutions, governments, and insurance companies."

Rohatyn went on to tell the Senate committee, "If we look realistically at the \$500 billion in non-OPEC LDC debt, we must recognize that that can only be paid back over a long time. We should stretch it out over 25 to 30 years, at a lower interest rate. In particular, \$300 billion of this should be converted into 25 year bonds at 6 percent, and the remainder rescheduled and stretched out."

This is what sources close to Rohatyn have previously identified as a plan for a "Global Big MAC" which would loot the world economy just as the Rohatyn pilot project called the Municipal Assistance Corporation destroyed the city of New York. It should be the "IMF, World Bank, or a new institution" (such as that called for by former World Bank boss Robert "Body Count" McNamara) which should "take over the debts and give the banks long-term, low-interest bonds," Rohatyn said.

Either the United States supports the IMF-bankers creditors' cartel, or American banks will be blown up by Third World debt moratoria, threatened Rohatyn. "I see the dangers as unilateral repudiation of external debt that is brought about by countries which have been radicalized by depression and IMF conditionalities," he told the Senators. "I can see the average Mexican thinking that it is the fault of the IMF or foreign bankers who have imposed austerity on his country."

William Cline of the Morgan Guaranty-Marshall Fund-run Institute for International Economics in Washington warned that unless the IMF expansion is done rapidly, "Brazil, Mexico, and other countries will repudiate their debts."

Swiss gnomes pull the strings

"The IMF knows how to coordinate world credit flows," a BIS official in Basel told *EIR*. The Swiss-based Bank for International Settlements, which is owned by the private Venetian and Swiss family funds of Europe, will control policy.

A possible first step in the New Bretton Woods system would be to expand the BIS, under a plan authored by Shultz and Fed Chairman Volcker conducted through Treasury Secretary Donald Regan, to deal with "emergencies."

The BIS plans to take up a kitty of cash from the U.S. Fed and other central banks, and set up a fund from which it will handle three- to six-month emergency bridge loans like those just made by the BIS to Mexico and Brazil.

The idea is to ride roughshod over Congressional opposition to the IMF expansion, by forcing through the BIS expansion as a first step, the BIS source said.

"We need some new mechanisms right now, and the IMF expansion, depending on the details of what is proposed, could take a while to get through Congress. The BIS can handle things as it wants, without worrying about the U.S. Congress," he said. "The BIS is a central bankers' club, very quiet, very private, no public hoopla."

There is also planned a private market pool, under BIS supervision, modeled on the Bank of England's "Lifeboat" for the British private banks, the source said. This he called a "private bankers' Eurodollar market credit net" to forestall panics.

"It will also be much easier to sell the BIS as a private sector approach in the short term, in Donald Regan's thinking," he added. "Some people still complain the IMF expansion would add another layer of government bureaucracy, or take over the power of nations."