

European Monetary System Emerges

Britain stakes its claim in gold rise

Statements by key Western European leaders and actions by numerous other governments have inaugurated the European Monetary System (EMS), created by nine heads of European nations in Bremen, West Germany, July 6 and 7.

INTERNATIONAL FINANCE

While the French take the diplomatic lead and West German Chancellor Helmut Schmidt attends to some domestic housecleaning, the immediate British reaction has been to declare itself in, while simultaneously jumping into the rising gold market. But the other side of Britain's strategy is its continued attempts to murder Lyndon LaRouche, the creator of the International Development Bank model on which the EMS was based. (For the full story, see **COUNTERINTELLIGENCE**.)

The EMS: "A Single World Design"

French President Valéry Giscard d'Estaing stated on July 18, "It is necessary to move strongly and quickly before autumn, to present concrete conclusions backed up by numbers, because international opinion is waiting with gravity and hope for the results of our work."

Giscard added in remarks reported by the French daily *Les Echos*, "instead of a declaration of intent, it is better to have the political will to act together along the lines of a single world design."

The day before, French Finance Minister Monory had told the press that the implementation to the EMS would commence "on Monday morning" in the European Council of Ministers — which directly represents the European governments — as opposed to the British-run European Commission.

Meanwhile West German Chancellor Helmut Schmidt, whose world prestige was mightily boosted by his role at the Bremen and Bonn Summits, is using the opportunity to come down hard on his antinuclear, antigrowth domestic opposition.

The Social Democratic Party Bundestag fraction has issued a letter of support for Schmidt's initiatives, and the SPD energy expert Wolfram is publicly rejecting Free Democratic Party Economics Minister Otto Lambsdorff's claims that Schmidt accepted his, Lambsdorff's, inflationary proposals at the Summit. Schmidt is also campaigning hard on his nuclear policy, stressing how far he pushed the antinuclear Carter at Bonn.

British Gold Maneuver

On July 20, the British wire service Reuters admitted that the EMS was in fact a remonetization of gold. Gold immediately jumped to \$190 an ounce on the world's gold exchanges and the monthly gold sale the day before found twice as many bids as it could supply gold.

The \$50 billion EMS, scheduled to centralize one-fifth of Europe's massive gold reserves, returns gold to a monetary reserve role. The British oligarchy which controls a substantial share of world gold production, apparently wants in on the gold rush as prices go up to the \$240 per ounce range, but is putting out the line that as gold rises, the dollar will collapse.

Under the careful speculative control of the oligarchy, this has indeed been the pattern since early 1968, the first major dollar panic. However, even President Jimmy Carter was made to understand by Chancellor Schmidt that the EMS will in fact stabilize the dollar for world investment. This was emphasized by a Japanese source at the Bonn summit, who said that the first aim of the EMS is to stabilize the dollar, then, in a "phased operation," bring the world into a "gold-based monetary system." He explained that "Japan is currently working out plans to use its dollar reserves for capital investment," in line with the EMS.

Global Convergence

The success of the summits unleashed a number of Soviet bloc and developing nations' actions to coordinate with the EMS initiatives:

- Authoritative sources at a European foreign ministry confirm that there is a Franco-West German-Italian agreement to bring the Soviets and Comecon Countries into the European Monetary Fund.

- Soviet Gosbank Chairman Alkhimov, the nation's top monetary official, called for "intensified cooperation with Western banks and especially central banks on monetary matters....including the fluctuations of precious metals prices," according to an article in the Soviet journal, *Foreign Trade*.

- Mexican Foreign Minister Santiago Roel is conducting a three-day session with Mexican embassy personnel in Europe to integrate Mexico into EMS planning. According to press accounts the highlight of the trip was the opening of negotiations with France for a swap of French nuclear technology for Mexican oil.

Meanwhile, Mexican Ambassador to France, Flores de la Pena, echoing certain European sentiments, said the time has come to replace the International Monetary Fund, not merely denounce it. The Mexican leader

commented, "(Nazi Finance Minister Hjalmar Schacht's reputed success was justly rewarded with imprisonment, but those who followed him have won Nobel Prizes."

• At the Organization of African Unity summit meeting in Kartouhm Egyptian President Anwar Sadat presented a plan for economic development of the Nile basin including ports, river dredging, hydroelectric power, and irrigation.

• Simultaneously, Libya, Algeria, Tunisia, and Mauritania have begun in Paris negotiations for a "Maghreb Economic Federation" closely associated with the EC, and those who "seek to enter the Community" (Spain, Portugal, Greece and Turkey). The purpose is to facilitate credit and technology transfers.

• At Bonn, Japanese Prime Minister Fukuda and

President Carter held a meeting to discuss energy technology development. A joint U.S.-Japanese committee was established to cooperate in the development of the Japanese nuclear fusion test facility, the JT60, and the similar device in the U.S., the Tokamak at Princeton University. The Japanese had previously offered the U.S. \$500 million to speed the U.S. fusion effort.

Given these actions to "fill in" the details of the EMS initiatives, the British are increasingly limited in their options. Simply stated, they are: keeping the U.S. ignorant of the EMS Grand Design while the oligarchy searches for a way out, getting a stake on the rising gold prices, blowing up the Mideast into generalized war, and assassinating LaRouche.

—Leif Johnson

The Traitorous 'Free Enterprise' Campaign

Will the U.S. economy be the casualty of Adam Smith's economics?

An "Adam Smith" revival has been unloosed on the U.S., aimed at derailing American participation in the new gold-backed monetary arrangements and global development plans outlined at the Bremen and Bonn summits.

BUSINESS OUTLOOK

The public side of this operation is a media campaign pushing "free enterprise" and portraying any government intervention in the economy — including the sort of government-sponsored export drive presently required to save the dollar — as an unmitigated evil. The media blitz is to feature a 10-part "economics-made-easy" series on public television starring "conservative" economist Milton Friedman.

Less public is the complementary attempt to throw the U.S. economy into a recession via a precipitous credit crunch, and thereby sabotage U.S. participation in the emerging Grand Design.

The American Enterprise Institute, the "conservative" opposition to the "liberal" Brookings Institution, has opened an intensive new drive for \$60 million in funding for "free enterprise" professorships, institutions, and media attractions, promoting what is being billed as the "American economic system," such as the upcoming Friedman mis-educational series. According to the Sunday, July 17 *New York Times* business section, which gave the AEI drive prominent play, "critics of government intervention in the economy now dominate the intellectual debate" as a result of the backlash against Keynesian deficit spending. Numerous major corporations, who are understandably fed up with harassment by the Environmental Protection Agency, the Securities Exchange Commission, and other antibusiness government agencies, have already been

suckered into supporting the Adam Smith festivities.

The earnestness of the AEI's actual commitment to American prosperity may be gauged from two recent Institute studies. One attacked the nuclear breeder reactor as cost-inefficient, the second favored trucking industry deregulation and the bankrupting thereby of large sections of the U.S. trucking industry.

Right on cue, the July 17 *Wall Street Journal* expanded the Adam Smith *laissez-faire* campaign with a front-page tribute to Milton Friedman entitled "Man of Many Roles Now is a Tax Revolutionary" and citing Friedman's delight at the tax revolt hysteria which threatens to shut down municipal services across the country.

Friedman is the leader of the "Chicago School" of economics, which originated at the University of Chicago, a key center for the British penetration of U.S. intellectual life. Not as well known is the fact that Friedman's mentor, Wesley Mitchell, late director of the National Bureau of Economic Research, imbibed his economics at the British Fabian Society-influenced economics department of the University of Vienna during World War I sitting next to Nikolai Bukharin. While "Marxist" Bukharin moved on to oppose what he called "overinvestment, planning and centralization" in the Soviet Union, Mitchell tutored Friedman and Arthur Burns in "fiscal conservatism" (see below).

Authored by University of Chicago alumnus Lindley Clark, the *Journal* article quotes Friedman, the former economic adviser to the fascist Pinochet regime in Chile, smirking about the benefits of cutting out California summer schools following the passage of Proposition 13, and bragging about the proceeds of his personal foreign currency speculation against the dollar. ("Speculating against the U.S. government is almost a sure thing," says Friedman.) According to economics wizard Friedman, Washington presently has "no good options available," only recession now or hyperinflation and a worse recession later.