

smell], was invented for them. Drug money, arms smuggling money, the proceeds of rackets, kidnapping, prostitution, Meyer Lansky's cash-flow and those of powerful secret services—everything is welcome. Lombard, Odier; Ferriers Lullins; Pictet; Hentsch; Mirabaud; Darier; Bordier; these are the ancient *banques privées* of the city, with their families of patricians. From there, the private portfolios are re-dispatched worldwide and invested in real estate and land holdings, raw materials, high-technology industry, precious metals, Treasury securities, and high-quality stocks and bonds. The Geneva banks are the straw through which the physical world economy is sucked dry by the parasitical oligarchy.

The financiers control the University of Geneva-related GIIS. GIIS in turn sends its alumni out to populate the international organizations, the United Nations (League of Nations), the government bureaucracies, and the *Venetian diplomatic machine superimposed upon international relations*: the International Labor Office, GATT, UNESCO, UNITAR, the U.N. Environment Program, the Food and Agricultural Organization (FAO), the High Commissioner for Refugees, UNCTAD, UNIDO, World Health Organization (WHO), and the endless alphabet soup of other such supranational organizations.

The Faculty of GIIS has included, either for longer tenures or conference cycles, the leading lights of the 20th century's anti-humanist doctrines: Ludwig von Mises, Wilhelm Roepke, Friedrich von Hayek—among founders of the Mont-Pelerin Society—Luigi Einaudi and Maurice Ansiaux among the early directors of the Bank for International Settlements, Arnold Toynbee, and a slew of high-level controllers of fascist ideologies—Celestin Bouglé of France, Harold Laski of the British Fabian Society, for example—as well as some fascist practitioners.

The postwar faculty has been no less remarkable from that standpoint, including the density of members of the Club of Rome. The "Pugwash" movement, the instrument of Bertrand Lord Russell's Malthusian coordination and subversion of science in both East and West, is headquartered there. GIIS is the umbrella for a series of specialized institutes which all serve the same global Malthusian purpose, and provide the Club of Rome and its ideology with material, institutional apparatuses: the Center for Empirical Research in International Relations; the Center for Research on International Institutions, the International Center for Monetary and Banking Studies, the Asian Center, the Institut Universitaire d'Etudes du Developpement, the Institut Universitaire d'Etudes Européennes. . . .

In short, from the faculty of GIIS emerge a significant part of the intellectual underpinnings of the world's supranational bureaucracies, and all the national layers they influence and shape. As Freymond himself recently bragged, "The important thing with Third World nations is to control their finance ministers. We control them because we've trained them. So when there is a negotiation, we're always there. We control the process."

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## Interview: BIS chief

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# Leutwiler: 'No credit, and no U.S. recovery'

*This interview with Bank of International Settlements President Fritz Leutwiler was conducted in Europe on Feb. 15, provided by economist Christian Dahlberg.*

**Leutwiler:** Whether the group pulled together by [Prof. Jacques] Freymond, whom I helped and advised, will continue in the future depends much on the quality of the discussion. As it will be strictly off the record, no one will feel that he is committed to speak on behalf of any institution. I suggested that Lamfalussy be brought in, but he cannot make it. . . . We should also have a Briton in. . . .

**Dahlberg:** What about the Interim Committee? Was it not a disappointment?

**Leutwiler:** Why should it be? Don Regan was unable to go any farther, for political reasons. He was limited; he had strict instructions, very strict. I sat right next to him at the Group of 10 meeting in Paris, when we discussed the General Agreement to Borrow [GAB], and he had strict instructions; it was totally clear that he had instructions on the numbers, on the share of the U.S. It's not bad, though. If we assume that the next quota revision will come sooner than the prescribed five-year period, it's not too bad. I would be reluctant anyway to give the Fund too much leeway now because it would give illusions to the developing countries. . . . We should give the Fund limited liquidities. We, the central bankers, can help funding in the meantime, until the quotas and the GAB come on-line. Then we can think of the next quota increase.

**Dahlberg:** What about the situation with the U.S. budget? Isn't that a major impediment to stabilization?

**Leutwiler:** Oh, don't assume it's only the United States. There is a tendency in Europe towards nationalism . . . not just the French. Even in Germany: people ask why should we spend money on Brazil, on Mexico, why don't we spend it on AEG, on helping the Swiss clock-makers? On the U.S. budget, I have become a fatalist. We have to accept it as it is. If the U.S. administration cannot reduce the deficit, who

could? I am more concerned with U.S. monetary policy. In which direction is it going? I would be pleased to think that any of my U.S. colleagues know what they are doing. I am very serious on this, very serious. But they do not know where they stand. How will the Fed react to a recovery, to increased credit demand, to the impact on international interest rates? The market knows of the deficits. This could set off false reactions, false anticipations of the market concerning monetary policies. The deficit is a fact of political life—not monetary policy.

**Dahlberg:** To shift to Third World debt affairs, do you think that [IMF] conditionality is tenable?

**Leutwiler:** Oh, would that help? If the IMF tightened, countries would sign up and not respect the conditions anyway. That's already what is happening. Mexico signed up; the Yugoslavs signed, and they won't apply the conditions. They told us; they tell us "Do you want Yugoslavia to join the Comecon? Do you want a revolution in Mexico?"

**Dahlberg:** In Latin America, they're only talking of one thing, a debtors' club. . . .

**Leutwiler:** Retired generals fighting past battles—

**Dahlberg:** What?

**Leutwiler:** I was only joking. It is a very serious situation. This is not a very optimistic view of things, but I share your feelings. I cannot express them in public, but I expect something like this to happen; I have a very uneasy feeling. I saw the Brazilians in Washington over the weekend. . . . I felt I was the one asking for money. *They told me* what to do! They gave me instructions.

**Dahlberg:** Were they threatening?

**Leutwiler:** No, no, they politely said, we need this and this and this. We need \$2 billion, 10 days from now, now you go and do your homework. . . . The Mexicans are different, but there is still a problem. The Brazilian problem right now is the most serious. . . .

**Dahlberg:** And then what happens when the bridging-loans expire?

**Leutwiler:** —You're telling me! I know the dates; I know the amounts. . . . There is not much that we can do. I tell you, it was a unique operation what we [the central banks] did. We won't do it again. We central banks, we've been working, on our side. We've done our work. We're more prepared than others, than the politicians. I would not say that we are really prepared, but we are better prepared than all the others. In September, in Toronto, we showed that it's better to take action even if we lose money. . . . We've bought time. We've studied the worst-case scenarios. We've been working on that, the central banks, my own bank. You cannot discuss it easily with commercial bankers. But it would be necessary to get them prepared. I welcome the creation of

the Institute for International Finance [Ditchley Group], although much will depend on its staff, its managing director.

**Dahlberg:** Who'll run the operation?

**Leutwiler:** Manfred Lahnstein, the German, the former finance minister. . . .

**Dahlberg:** What if his party [the Social Democratic Party] wins the elections?

**Leutwiler:** There is a very, very small chance, close to zero, of that happening.

**Dahlberg:** Back to conditionality—

**Leutwiler:** These countries don't say it now, but the feeling is growing among these countries . . . the IMF credibility could be affected. The IMF is in a very delicate position. We had this meeting with de Larosière over the week-end. He told the central bankers what they should do and to instruct the commercial banks in case of a problem with Brazil, with Mexico. It's new—de Larosière has taken a lot of responsibilities. Especially since he cannot give any guarantee that the programs will be respected, or be sufficient. If the programs were very tight . . . he could say, well I've done what I could, I can't tighten any further. Will they be implemented? I don't know. But he can say, then I've done my bit. Of course, from the debtors' standpoint, the programs may already be a bit tight, too tight. In some cases, it's considered as too tight. Take the case of Yugoslavia. The program there includes a real decline in incomes of 13 percent.

**Dahlberg:** Until now, debtors have been held in check by the line put out that there was going to be a recovery in the United States and then the world economy. But as this fails to materialize, and turns much worse, much worse. . . .

**Leutwiler:** I cannot object to that. I fully agree with you. The hope of a U.S. recovery is ill-founded, wishful thinking. Look, I see a way out, with so many *ifs* and *whens* that I don't believe in my own ways out. Theoretically we could find a way out, but it does not only depend on the behavior of the LDCs, it also depends on our own behavior, the Western countries, and the Western countries will probably do the wrong things. I don't want to scapegoat the U.S.A. but—

**Dahlberg:** Are you of the view that the United States should be placed under IMF conditionality? You know it is being discussed.

**Leutwiler:** I really don't know. I discussed with the top representatives of the administration. It's not feasible. The administration might perhaps to be induced to do it, but not the Congress. They're looking at numbers. . . .

**Dahlberg:** So what man's hand does not do, will nature take care of?

**Leutwiler:** You mean, total readjustment under pressure: That might happen, that might happen.