

the 1962 shock of going to the brink of general thermonuclear war; then, out of terror, we capitulated to that shock. Our promising children, entering universities then, the children on track to assuming future positions of leadership in society, were almost destroyed. Now, we are running out of chances. Perhaps, only if the Baby Boomers themselves will face the reality of the way in which they were “brainwashed,” will the new shocks of a disintegrating global financial system, prompt them to throw away the shackles they put upon their own minds, approximately thirty-odd years ago.

---

## Documentation

---

### Wriston hails advent of ‘information standard’

Former Citibank Chairman Walter Wriston lauded the replacement of “money” with “E-cash,” and the inauguration of a new “information standard,” in a speech to the Cato Institute’s 15th Annual Monetary Conference on Oct. 14. The conference was titled “Money and Capital Flows in a Global Economy.” Noting the enormous expansion of financial flows in recent years, he emphasized that this has destroyed the sovereignty of the nation-state—which he considers a positive development. (See p. 12 for Lyndon LaRouche’s comment on Wriston’s own mental state.)

During the postwar period, Wriston said, a “sea-change” took place, as the explosion of world trade and capital movements overwhelmed the existing financial system. “Most people don’t remember that in 1968,” he said, “the New York Stock Exchange choked, and ground to a halt, on a volume of 16 million shares a day.” Today, if 450 million shares change hands, the talking heads on TV say that trading was “moderate.” Indeed, the market can handle 2 billion shares, he said.

“Today, with the [foreign exchange] market at about \$1 trillion a day, central bank intervention can only result in expensive failure, as there is simply not enough money in any central bank to influence the exchange rates on anything but a momentary basis.”

Reviewing developments in the financial system since World War II, Wriston concluded, “Today, I would argue that we have a wholly new situation. The marriage of computers with telecommunications, has created a truly global market in everything, from money, to commodities, to stocks. . . .

“Perhaps the beginning of a truly global market was [the development of the Eurodollar market in the 1960s]. . . . The market gravitated toward London, because of the City’s reputation for maintaining a free and open market. . . . The advent and explosive growth of the Euromarket, empowered by tele-

communications, permitted people all around the world . . . the added benefit of keeping [dollars] outside the United States, away from possible seizure. The market grew exponentially [sic], and has become the greatest floating pool of capital in the history of the world.”

What would happen, Wriston asked, “if a small event, like the failure of a bank somewhere, severed the weakest link in the chain? Would the whole system come crashing down? Or, to use a Washington term, would we have a ‘systemic failure’?” This nightmare came true on Friday, June 28, 1974, triggered by the failure of a small German bank, Herstatt.

“We got the news that Chase Manhattan, which was acting for Herstatt, had stopped all payments, in the Clearing House Interbank Payments System [CHIPS]. The main problem was, how do you restart the system, and let payments clear, so that the participants in the world banking system could know what their liabilities were?”

As a result of developments since that time, Wriston said, CHIPS now has a procedure in place to cover the simultaneous failure of the two largest participants in the New York Clearing House.

These changes occurred alongside a sea-change in the world’s monetary system, Wriston said. For the first time in history, no major currency is tied directly to a commodity like gold or silver. The gold standard, gold exchange standard, furnished, for a time, a discipline in the creation of money. “But now, with the uncoupling of money from any commodity, these old arrangements have been replaced, by an even more draconian device, which I call the ‘information standard.’” This is being administered by a completely new system of international finance; it was not built by economists, central bankers, or by any high-level conference which produced a master plan. The new system was built by technology: It consists of more than 200,000 electronic monitors, in trading rooms all over the world.

“The market is so huge, that intervention by central banks has just become an expensive exercise in futility. Indeed, the market has overpowered one of the most important aspects of national sovereignty.”

We now have multiple forms of digital cash, or “E-cash,” Wriston said. Electronic networks are gnawing away at the powers of state. “While sovereigns posture on trade policy . . . business networks are beginning to operate almost independently of trade policy.”

In conclusion, Wriston said: “Some mechanism must be able to absorb the unexpected shocks that will occur. So far, the market has the best track record in handling these events, ranging from the oil shock to the Gulf War. Markets may overshoot or undershoot, and it may take time to restore equilibrium. But unlike governments, which are reluctant to admit mistakes, markets adjust to their mistakes very quickly. . . . The process is irreversible. The networks only speed this process, and nations and companies can only ignore this sea-change in the way the world works, at their peril.”