British Coup In Monetary Affairs

Once the dust settles from the collapse of the French franc last week, the dollar collapse that will probably be in full swing as this issue reaches its readers, and related monetary disasters, the British financial press and the predictable British-connected bankers in the United States will start to hint at the conclusions of the accompanying articles.

A handful of key monetary developments over the past week have shifted the monetary balance of power swiftly, if not yet decisively. Their key invariant feature is the manipulation of central bank reserve placements, currency flows, government crisis, public press, and other influences by a group of London Merchant bankers, with the object of re-establishing London's financial preeminence, and the re-emergence of sterling as a leading world reserve currency.

The events include:

(1) The replacement of West German Finance Minister Hans Apel by Hans Matthoefer, who, along with Otto von Lambsdorff at the Economics Ministry, constitute a "reflation front" for West Germany.

(2) The decision of Japanese Prime Minister Fukuda, along with Central Bank Governor Morinaga and Vice-Minister of Finance Matsukawa, to sue for terms with the Blumenthal Treasury. According to reports in the Japanese financial daily Nikkei Kezai Shimbun, Matsukawa's current trip to the United States was to offer Japanese participation in the so-called "Roosa Plan," stabilization of the dollar, yen, and deutschemark parities against the dollar through "coordination of economic policies," i.e. reflation and monetary easing by the hard-currency countries. The Japanese did this in desperation, according to the *Executive Intelligence Review's* Japanese sources, after Matsukawa's attempts to obtain Federal Reserve cooperation in stabilizing the yen-dollar parity were refused.

(3) The French franc collapsed for no reason apparent to either the large American commercial banks or the large West German commercial banks — who told *EIR* the sudden collapse of the French currency had them flummoxed (and liquidating francs once the run had started). In fact, British merchant banks who manage large central bank accounts pulled the operation out of a hat — and bragged about it to *EIR*. They intend to draw funds out of the dollar next. For the first time, there are serious doubts among bankers close to the Persian Gulf situation that the Saudis can withstand the pressure.

The U.S. Treasury has been circulating the argument that more reflation from West Germany and Japan would stabilize the dollar. Barring a reversal of the present direction, what will happen is a worst-of-both-worlds scenario. The flight out of the dollar into other reserve assets, and consequent destabilization of the markets, will force significant reflation, after the fact, and add to the already dangerous inflationary pressure building inside the U.S. economy. No one believes that such reflation will even marginally increase world output levels. The world will be in for an economic disaster under London.

Run On French Franc Only Phase One Of New British Attack On Dollar

This week's unexplained, massive run on the French franc is just a prelude to yet another major City of London operation against the U.S. dollar, aimed at forcing the Organization of Petroleum Exporting Countries and other governments to diversify their national reserves out of dollars and into the decrepit pound sterling, the deutschemark, and the yen.

FOREIGN EXCHANGE

This is the "Roosa Plan," named for Brown Brothers Harriman's Robert Roosa, to force reflation, trade contraction, and economic stagnation on Europe and Japan by setting up a currency bloc of the sterling, dollar, mark, and yen — all managed by interest rate manipulation and coordinated central bank policy under the direction of U.S. Treasury Secretary Michael Blumenthal, George W. Miller, soon at the Federal Reserve, and their partners at the Bank of England.

This analysis emerged in an interview by a financial journalist with Henry Simon Bloch, the senior international partner at the Rothschild-related investment bank Warburg, Pincus in New York, which is reprinted in full below. In the interview, Bloch describes the run on the French franc as nothing but a symptom of the dollar's coming crisis, and lauds the plan of his "close friend" Robert Roosa to set up a sterling-dollar-mark-yen system.

London Spreads a Rumor

There is no identifiable reason for this week's major development on the money markets other than a direct sabotage operation by the City of London. On Jan. 31, the French franc was trading quietly at 21.11 U.S. cents, its highest level against the dollar since the end of 1975. Suddenly, the markets buzzed with a rumor carried on the Reuters and Dow Jones wires — *not* by Agence France Presse — than an unidentified opinion poll was about to be released claiming that the French left coalition, headed by British agent-of-influence François Mitterrand, is the front runner in the upcoming French national elections.

Within three days' trading the franc collapsed by 3.3 percent against the dollar to 20.41 U.S. cents, and even further against the Swiss franc (3.7 percent) which rose as the dollar sank due to the instability created. The French central bank reportedly spent between $200 million and $500 million to stop the run on Feb. 2 and 3 alone.

However, all available evidence points to the opposite election results — the victory of the Giscard-Gaullist majority. In fact, Paris sources identified the poll as one that *L'Express* will release on Feb. 6 showing a sound defeat for the left at the hands of the present government. Further, the original selling, according to rumors which were flooding the market and were just as unidentified as the shadowy "opinion" poll, came from West German, U.S., and Swiss banks; in short, coming from everywhere but merry old England.

All kinds of wild stories were circulated as to what caused the panic, including the most outlandish allegations by the New York *Journal of Commerce* that French President Giscard and his Economics Minister and Premier Raymond Barre had deliberately caused the run to scare the population away from a vote for the left.

In fact, both the President and Premier only made statements on the disastrous left program Feb. 3, well *after* the run on the franc.

The major New York banks' foreign exchange trading desks were totally at a loss to explain just what hit the franc.

Diversify out of the Dollar

A City of London destabilization against the markets generally was indicated. Sources at a major Swiss commercial bank agreed that Swiss Central Bank Director Fritz Leutwiler's recent efforts to set up a more permanent means of ensuring U.S. Federal Reserve intervention in support of the dollar, through gold swaps, U.S. sales of foreign currency bonds to European central banks, and so forth, had been cold-shouldered. The source feared that not only was the current dollar support operation insufficient, but that it might not even be sustained. The European-Japanese demands for U.S. support of the dollar which forced the intervention policy in early January had failed to show enough international muscle to put the fear of gold into London's agent Michael Blumenthal.

The thesis was more than confirmed by the Warburgs' Mr. Bloch. He stated that the French franc situation was not an issue in and of itself, the issue was a general move by governments out of the dollar (and all currencies) which is weak relative to the deutschemark, yen, *and the pound sterling*. This is the first time a publicly recognized spokesman on international monetary affairs, of whatever stripe, has dared to put the pound sterling, with its rattletrap of an economy, into the list of currencies on tap to replace the dollar — and ahead of the Swiss franc no less. Bloch identified the idea, articulated by Geoffrey Bell of Schroeder Bank, that under the British advisors, OPEC and other developing countries would diversify their foreign reserve holdings out of dollars and into "other" — now identified — currencies. These advisors include Bell and, no doubt, Warbug, Pincus and Brown Brothers Harriman.

The Swiss source reported that the Saudi Arabians, under advice from West German and Swiss bankers, are trying to hold on to their support for the dollar and thus far have succeeded. But if the general European, Japanese, and U.S. support for the dollar breaks down, he said, "the Saudis may not be able to resist moving to the 'basket of currencies' approach." Equally threatening to the idea of integrated European support for the dollar and currency stability generally, the same Swiss source admitted that once the run on the franc started, the Swiss and the West German banks were forced to participate, at the risk of otherwise sustaining market losses.

The Roosa Plan

The second aspect of Bloch's statements — the imposition through the chaos and confusion of the "Roosa Plan" for a London-controlled currency arrangement — was also borne out by several independent developments. Chief among them was the surprise announcement by Japanese Premier Takeo Fukuda, reported by the Japanese press and several wire services, that Japan would, under pressure from the United States, support "the Roosa Plan and a fixed-rate currency arrangement." Japanese Assistant Finance Minister Matsukawa, on a visit to the New York Federal Reserve this week, reportedly discussed the Roosa Plan.

If implemented, the plan would fully institutionalize over the long term the subordination of the dollar, the mark, and the yen to the pound sterling. As an economic program, it would force the reflation of the West German, Japanese, and U.S. economies to the point where their currencies would be as worthless as the pound is today. The result would be a strategic undermining shift within each of these countries toward a British economic system which would become irreversible after a certain point. Under a reflation program similar to the familiar disease of the "sick man of Europe," which is being proposed for the U.S. by Blumenthal and Miller, the United States, West Germany, and Japan would be forced to funnel credit to Humphrey-Hawkins-type make-work jobs and away from capital formation; toward financial support of sterling at the expense of imports; and toward the near elimination of exports so that Japan and West Germany would no longer have the trade surpluses that so "embarrass' Britain and the U.S. In short, a slash of industrial production, trade, and employment — the royal British treatment.

—*Kathy Burdman*

Rothschild Investment Banker Declares For British System

Henry Simon Bloch, the senior partner at the Rothschild-linked Warburg, Pincus investment bank in New York, was interviewed recently by an independent financial journalist who provided this interview to NSIPS.

Q: What caused the attack on the French franc and will the dollar be next?
A: You must realize the franc was overdue for a hit. Attention should be focused much more on the basic relationship between the dollar on the one hand and the d-mark, yen, — and to some extent the pound sterling — on the other. Leave out the Swiss franc; the pound is used much more in terms of real-currency transactions. Sterling is both a reserve currency and a trade-financing one; Swiss francs are only a monetary speculative vehicle. *If the pound were really very strong, it is perfectly possible to regain a leading role in international finance.* So the point is, the French franc and many other currencies — Mexican peso, lira, etc., may come under pressure not so much due to themselves, but because of the general instability of the dollar. The primary problem is not the French or other minor currencies falling against the dollar, but the weakness of the dollar against the mark, yen, and sterling.

Q: But I thought the dollar had been stabilized by U.S.-European central bank action and that rather the run on the franc might upset this.
A: No, the dollar is *not* stable. the fall of the franc, aside from all the months we have predicted a fall of the franc, the fall of the franc is motivated not in itself, but by the private individuals — *or governments* — shifting out of French francs and everything else including the dollar, into marks, yen, and some sterling. Maybe, in fact, a big part of situation lies in the strength of the sterling. Sterling may very well appear as a trading currency.

Q: Governments? I hear Geoffrey Bell at Schroeder Bank advises many governments...
A: Oh yes, Geoffrey, he's one of the best. Well, for example, take the French-Algerian relationship. You know a great deal, several billion francs, of Arab money had gone into Euro-franc and other franc short-term deposits during the past 6 months or so. Well, now with this dollar situation, they may be getting into marks, or sterling. Of course Algeria is minor, it would really take *big OPEC* money like the Saudis to do this, too. It's quite possible we have been seeing a shift out of French francs into sterling by OPEC.

Q: You keep mentioning the dollar-deutschemark-yen-sterling relationship. Isn't this Robert Roosa's year-old plan for a dollar-mark-yen currency peg with sterling newly added?
A. Oh, Bob Roosa and I are very close friends, but I certainly must give him the credit for the idea of that cluster of currencies. We recently did a seminar on this at Columbia Law School where I also am a professor.

Q: Yes, but we hear the Europeans are dissatisfied with the cooperation of the U.S. Federal Reserve on supporting the dollar now. Does this mean the Roosa idea is being discussed as a current option?
A: Well, as I said, the French franc situation is a symptom of lack of central bank coordination. But I can't really tell you what the Fed is discussing — I can tell you that the Roosa idea is very sound, possibly the best thing we can do in the current situation of extreme instability.

Giscard, Barre Warn Against Program Of French Left

On Feb. 3, French President Giscard d'Estaing and Premier Raymond Barre warned the French population of the adverse impact the left coalition's Common Program would have on the French economy. The following is the text of a Dow Jones wire report on the two French leaders' statements.

President Giscard, whose mandate runs through 1981, warned last week that in the event of a leftist victory he won't be able to stop application of the leftist program involving the rationalization of the major industrial groups and the entire banking sector.

French cabinet ministers and non-leftist economist have warned that application of the common program would ruin and isolate the French economy, within six months.

Premier Raymond Barre said the leftist program would result in a public deficit of 50 billion francs, a trade deficit of 50 billion francs, and an inflation rate of 15 to 20 percent. "The leftist program will ruin small firms, seriously disrupt public finances, dislocate the financial markets, provoke a massive trade deficit, depreciate the franc, and isolate the French economy," he said.