

rates. This job at the IMF and London's Euromarket suzerainty was followed by a reply to Solomon: there are numerous ways, he said, in which the EMF "can operate in the market for both EMS and nonmembers." This includes acceptance of nonmember deposits at rates "competitive with" rates on deposits in the strongest currency in the system — i.e., with the 4-5 percent West German levels.

Hoffmeyer did not draw out the lending side of the equation, but EMS potential to centralize liquidity and recast flows and costs of credit was made so plain that British merchant banker Edmund Dell, the former trade minister, prematurely dissolved the conference, announcing "We're all so confused now by the opposing views put forward that I'm sure you don't want to hear my closing remarks — so I shall just close the conference."

Earlier, Dell had presented the view that trade protectionism is inevitable and no deliberate net expansion of world markets along EMS lines can be created. EC vice-president Francois-Xavier Ortoli, who with Roy Jenkins has made the Brussels European Commission an outpost of British hostility to the EMS, retreated the London Economist's call for the EMS to be made into a sub-organ of the IMF, with "supervisory responsibility" over all domestic economics policies, but drew scant response with this effort to appeal to West German "conservatism." Sir Eric Roll of the Warburg bank, for decades a Bank of England-IMF-OECD strategist, was the most spectacular on the credit question with his formulation of what to do with the \$600 billion in Euromarket liquidity — this, he said, is precisely the magnitude of the borrowing needs of the People's Republic of China, and "I don't think we are overshooting."

What brought these scenarios home to the less attentive listeners was the British admission during the question periods that a substantial precondition for their contractive policies is a large increase in the price of oil. Guido Carli went so far as to propose a new "petrodollar recycling bond" which in effect would be used by British Petroleum, Royal Dutch Shell and whichever American majors joined them, to regulate world credit through "advance payment purchase" securities drawing on "unused oil revenues."

Combined with Roll's announced intention to arrange the deposit of hundreds of billions in Eurodollars with the Bank of China in London, the policy of an astounding supertax on the world economy for the account of Peking and the City was briskly articulated. What also became clear in the course of the speeches was that none of the British or British-allied speakers — including Fiat chief Gianni Agnelli, who polemicized against the idea of advanced-technology exports to the Third World, regarded American policymaking at present as anything but a useful convenience.

—Mark Tritsch, Frankfurt
with Susan Johnson, New York

Bankers' conference

Following is a series of excerpts of presentations by participants in the London Financial Times world business conference. The portions here highlight the polarization of opinion between the bankers and officials present as to whether to continue to accept the domination of the austerity promoting International Monetary Fund or the opportunities for growth available through the European Monetary System.

"The EMS functions..."

An excerpt from the conference speech by Bundesbank President Otmar Emminger is followed by his comment during a question session.

The present exchange rates of the Italian and French currencies seem to be entirely credible in the marketplace and appear well suited as entry rates for the EMS. In the "snake" the Deutschemark has over the past four months been persistently in the lower band against the other currencies. Since last December, indeed, the currencies of the EMS have moved continuously inside the margins which would have been obtained had the EMS entered into force at the start of this year. Thus, as concerns the exchange-rate structure, we have already

British banker: I hope LaRouche

Following, with minor deletions, is the transcript of an Executive Intelligence Review interview with Henry Tiarks at the London Financial Times "Finance and Trade in the 1980s" conference in Frankfurt. Tiarks is a retired international banker, father-in-law of the Marquis of Tavistock, associate of the Devonshire family, and currently a Swiss resident.

Q: Mr. Tiarks, U.S. Labor Party presidential candidate Lyndon LaRouche is working to create an American national leadership capable of breaking the "special relationship" to England and linking with France and Germany to...

A: I hope he breaks his neck.

Q: Can I quote you?

A: I'd rather not, old boy, you know I'm just a retired banker, no influence at all, what I say isn't that important, I'm very old.

debates future of world economy

been living for some months in a de facto EMS, and have been doing so without any particular support by central banks (except for some intervention to prevent undesired appreciation by the Danish crown)....

Q: Lord Roll introduced your speech with some remarks about gold. Could you tell us about the role gold will have in the future monetary system?

A: Gold has been phased out as an official basis for the monetary system — in fact that happened last April (referring to the IMF conference in Mexico). That's firstly — but secondly gold does still have an important monetary role. The Bundesbank has the second largest gold reserves of all central banks, so we are not completely disinterested in the question. So, we must have ways of using the gold reserves for, for example, official purposes like settling balance of payments, et cetera.

There is the example of the Italian case, where some years ago Italian reserves were used as a pledge for a loan, partly provided by the Bundesbank.... But now we have developed a new way of doing that — we are going to use the gold in the EMS as a new kind of pledge against the settlement of balances of payments between EMS member countries. As you know, 20 percent of dollar reserves and gold will be deposited as a pledge in

the EMS, and in return members will get a means of settlement for balance of payments purposes. In this respect, gold can continue to play a further monetary role.

How the fund will operate

Erik Hoffmeyer, head of the Danish central bank, phrased his outline of EMF operations in terms of currency defense. The broader potential was stressed the next day even by the Feb. 15 Financial Times coverage of the conference as the EMF absorbing global flow of funds it would then be in a position to redirect. He also signaled how the U.S. could be brought into gold-backed ECU clearing operations. Excerpts from Hoffmeyer's speech follow.

The ambition of the initiators of the EMS has clearly been to lay the foundation for a more far-reaching change in the international exchange rate system.... We have moved from the idea of a clean float to a more and more managed float, and the logical outcome could be some kind of negotiated floating. Target zones have already been proposed, but are hardly feasible. On the

breaks his neck

Q: Yes, you must be, since the Dulleses were buddies of yours.

A: Oh, yes, but Allen went nuts in the end....

Q: But what do you think about the U.S. picture now?

A: Terrible, terrible, there are people saying the Trilateral Commission runs everything; do you think they do? I really don't know, I personally was one of the founders of the Bilderberger group, I'm a close friend of Prince Bernhard, of course we both run the World Wildlife Fund and, I don't know, they say there is a world conspiracy between the Trilateral Commission, the CFT, the Bilderberger and so on. What do you think about the Trilateral Commission?

Q: It's no longer the central institution....

A: What do you mean, not important? The whole U.S. government is run by them. That's how Carter was put in! You know; really I think Carter's election

is only explicable by the Trilateral having engineered the whole thing because he is so stupid that they could completely manipulate and control the government once he was in.

And anyway, David Rockefeller is so stupid — he's a good friend of mine but he's really stupid.... Terrible situation now with Carter. Europe will leave NATO soon. Only way to stop it would be to put MX missiles in Europe....

Q: ... With that kind of policy we'd be heading directly for nuclear war.

A: Oh, yes, it's 50-50. There could quite easily be a war. Kissinger has some debatable points. I'll tell you who I'd like to see president of the USA ... that's General Haig.

Q He's a creature of Kissinger's....

A: That speaks very well for him.