ounce since January.

Were the U.S. to implement the Leutwiler plan, U.S. reserve assets would be revalued de facto four times, to $50 billion, since current valuations are based on a fictitious gold price of $42 an ounce.

This revaluation would permit the U.S. dollar to remain as an international reserve currency, and would increase its international credibility in performing this role by beginning to soak up the huge excess dollar liquidity over which London exercises dominating control.

Federal Reserve gold transactions would also facilitate implementation of the U.S. Labor Party proposal for the U.S. Export-Import Bank to establish an office in Luxembourg, to attract gold and Eurodollar deposits — on the order of $200 billion — as a high-technology credit export agency for the U.S. economy.

European bankers have recently been very active in organizing for Saudi Arabian support behind major gold purchases. Swiss authorities are saying privately that if another round of attacks is unleashed against the dollar, they will immediately issue a public call for the establishment of a gold monetary system.

Mooted British Attack On Dollar Could Backfire On Pound

From the *London Guardian* to the *New York Times*, the City of London's financial press this week began a campaign for a new round of dollar dumping. Their motivation for this sabotage emerged in the interviews with major New York City banks: without such a renewed dollar collapse—which London is trying to force even in the face of massive dollar support operations by the West German, Swiss, and U.S. central banks—the British pound may be in for a beating.

FOREIGN EXCHANGE

On Jan. 25, the *Guardian*'s financial page laid out London's strategy: the Bank of England, which has accumulated over $20 billion in dollar reserves during the dollar's decline, should dump these and get into investments—with a nickel on the dollar buying spree in the U.S. and elsewhere around the world. The implication is that the Bank need no longer hold dollar cash reserves to defend the pound despite the fact that it fell by 30 percent in 1976, and that some dollar-dumping outside the U.S. and the consequent run on the dollar, would not trigger international monetary chaos.

Today's *New York Times* also warns of a new run on the dollar later this year. British banks, reached for comment, all chorused that the dollar is headed for another fall, and that the pound will "easily be up to $2.00 in a week or two," as one trader put it. Sources also cited the tremendous weakness in the Eurobond market and the U.S. money supply. The Dow Jones reported today that since Christmas, there have been five Eurodollar bond issues totalling $345 million, while in the Euro-deutschemark sector of the market there have been 13 issues totaling $900 million (worth of deutschemarks), or triple the rate.

Similarly, the U.S. money supply has risen at a 12 percent per annum rate during the past four weeks, and at an almost 10 percent rate for the last 12 weeks, way out of line with official targets. The entire increase, in absolute terms, is due to an equivalent increase in Federal Reserve credit, i.e., direct money-pumping into the economy.

Dollars vs. Pounds

While it is true the Federal Reserve's money-pumping (still at only a fraction of what can be expected if George Miller takes over the Fed) is hurting the dollar, the central banks' resolve at European insistence to support the dollar actually makes the U.S. currency a better bet at this point than is the pound. Traders at major New York banks said today that British Chancellor of the Exchequer Denis Healey's announcement yesterday that Britain is repaying in advance $1 billion of its debts to the International Monetary Fund was an attempt to garner psychological respectability in the markets, and make it look as if the pound is "all right, (Union) Jack."

This stance is a defense against the developing tendency for U.S. analysts to view askance the London stock market and government debt bubble as British industrial production collapses and trade grinds to a halt. The Bank of England, in an official statement today, noted that while it would like to build up a "foreign portfolio" (in the terms that the *Guardian* demands) by the end of the year, some $4 to $5 billion of Britain's total of $20 billion reserves is "hot money" which could be pulled out at any time, and so the Bank must retain cash in case some defensive action becomes necessary.

But the real threat to the pound was revealed by a New York foreign exchange trader this week. Any attack by the British banks against the dollar will provoke such a defense of the dollar by European and U.S. central banks that a run on sterling may quickly develop instead, as almost happened in the beginning of this month. Minimally, British banks who bet on an upvalued pound would "lose their shirts" on the foreign exchange markets as the U.S. Federal Reserve intervened.

What follows are excerpts of a Jan. 27 interview with a sterling trader at a leading New York commercial bank:

Q: British banks say the pound's going to $2.00: What do you think?

A: Baloney. During the first week in January, right after the Fed-Bundesbank support for the dollar was announced, it wasn't the speculation against marks or yen but the British banks that tried to drive the pound up. All week they were saying, "We'll have a $2.00 pound by

Friday." They even called me up that Wednesday morning at home in bed at 5 a.m. our time to buy pounds at $2.00, and I sold it to them. I told my wife, "They're crazy."

Then the Fed and the West Germans came in and hit them and the pound fell back to $1.89 from $1.99. Later in the day I was selling sterling at $1.86. At that point the Bank of England got alarmed and came in and supported the pound, or it would have fallen further. As soon as the support operation by the central banks become obvious everyone knew that the pound in particular was over-valued. The British banks lost their shirts. If it hadn't been Wednesday, the day the Bank of England requires them to clear their positions above £1 million, they would have been caught holding a lot more over-valued sterling and might have lost more than their shirts.

Q: So you think this is the same siutation? Is that why (Chancellor of the Exchequer) Denis Healy unexpectedly announced early yesterday that Britain is repaying £1 billion in debt to the International Monetary Fund? The British are afraid the pound might get into a weak position if the resolve of the central banks to defend the dollar makes the dollar improve?

A: That's right. The British banks are now terrified of the Federal Reserve. They really got hit last time. They might talk but they won't try that again any time soon. If the U.S. trade deficit is as big as $2.5 billion this month, that has already been discounted for by the market and the dollar will stand firm; pounds will go down a bit. If the trade deficit is less than that, the dollar will go up to 2.14 marks and 2.05 Swiss francs, and sterling could fall from $1.96 to $1.94 or $1.90. It would take a really big deficit, say over $4 billion, to get the pound up even to $1.97.

Scandal Threatens:

Miller Confirmation Stalled

Last-minute revelations of a possible scandal overhanging Federal Reserve nominee G. William Miller have stopped Sen. William Proxmire's (D-Wisc) attempt to railroad approval for the nomination through the Senate Banking Committee. Textron Corporation Chairman Miller, according to authoritative sources in Washington, New York, and Western Europe, is a British agent, who would use the chairmanship of the Federal Reserve to sabotage the American banking system.

The Miller revelations, reported to Proxmire late on the evening before the railroad hearings began, came from the Central Intelligence Agency, according to Jerry Landauer of the Wall Street Journal. The CIA, like other government agencies, is responsible for background checks on candidates for high office.

According to the CIA report, Textron officials paid $2.9 million to an Iranian company in 1973 that was owned by the head of the Iranian air force, General Khatemi. Textron's Bell Helicopter division was negotiating with the same General Khatemi at the time for a $500 million helicopter sale. At the hearings, Textron Chairman Miller disclaimed any knowledge that the $2.9 million sweetener was a payoff to a top Iranian military official.

Confirmation of Miller will now be delayed for at least two weeks, according to Banking Committee member Sen. H.J. Heinz, while Senate staffers investigate the charges. Proxmire had called for yesterday's hearings only four days before on Jan. 20, and had excluded public witnesses — an unheard-of procedure for confirmation of a Federal Reserve Chairman — in what Banking Committee staffers admit was an attempt to shove the nominations through as fast as possible.

Most Dangerous Nomination

Ironically, the Central Intelligence Agency has done what Senate Republicans and patriotic Democrats failed to do: challenge the most dangerous nomination Carter has yet made for high office. Illegal payments to Iranian generals are the least of G. William Miller's offenses. Miller is known to be the key instrument of a City of London plan to throw American commercial banks out of the world market, and replace them wtih a London-centered "Euro-commercial paper market." Miller is also, as a matter of public record, an intimate collaborator of Lazard Freres' Felix Rohatyn in grandiose schemes for transforming the American economy into an imitation of Hjalmar Schacht's Nazi Germany. Rohatyn and Miller co-authored a program for $100 billion in Federal guarantees for slave-labor jobs projects in the Northeast alone, under the aegis of the Northeast Governors Economic Conference.

The stall in the Senate railroad gives opposition forces more time to prepare a political attack on Miller. NSIPS learned from top Rothschild bank sources in Europe that Miller is programmed to carry out a scenario including capital controls on the U.S. dollar; forced credit allocation favoring the debt structure in the U.S. economy; and full-fledged Schachtian slave-labor and austerity program. In collusion with Sen. Henry Reuss's House Banking Committee, Miller will try to impose huge reserve requirements on American banks operating abroad, wiping out their ability to compete against London in the international markets. Miller's supporters among the pro-British New York investment banks, notably Lazard, Goldman Sachs, and Salomon Brothers, are already preparing to replace the commercial banks with London-brokered trading in IOUs, an arrangement resembling the British-controlled banking system before World War I.

Fabian Sens. Proxmire and Heinz are using the Textron scandal with maximum reluctance. "Proxmire was under obligation to bring it up," said a committee staffer. "In fact, he had to bring it up. Look at what happened to the Senators who put Bert Lance through."

In fact, the hounds who chewed up Lockheed, Northrup, and other corporations charged with illegal bribes