interest in gold would be concentrated in the gold paper market. Investment in physical gold would be preponderantly of an insurance nature. The premium for insurance against social breakdown would equal the loss of interest on holding metallic rather than paper gold....

In these circumstances official institutions need to take the initiative. But a world consensus including the agreement of the U.S. Government is not necessary. Indeed, one constraint that may have hampered the development of Euro-gold has been removed recently. A law signed by President Carter on October 28, repealed a 44-year-old prohibition on gold clause contracts. It enables U.S. citizens to enter into contracts specifying that payments be made either in gold or the market value of a certain quantity of gold.

European governments are the most likely sponsors of a Euro-gold market. Many hold large gold reserves, hence their issues of gold bonds would be hedged many times over. European institutions such as the European Investment Bank, the European Coal and Steel Community and the EEC itself could be among the first to make gold bond issues. Most EEC members, with the exception of Britain and West Germany, have never wholeheartedly supported the United States in its anti-gold campaign. Some LDC governments and other sovereign powers with gold reserves would soon follow the European example. A gold-denominated syndicated credit market would be a possible further development. All such initiatives would also take the pressure off the dollar, and ease the political straws now threatening the amity of the West. Saudi Arabia could even play its part by pegging the riyal to the Swiss franc and encouraging *foreigners—such as Arab LDCs—to borrow in riyals.* There is a financial solution to the world's payments imbalances....

Hopefully, 1978 could be a year of currency internationalism; how else can the world economy be spared the dreariness and dangers of dollars only?

U.S. Labor Party Executive Statement:

Remove Blumenthal From Office Now!

The mood of the country is fast approaching one of open revolt against the treasonous policies of Treasury Secretary W. Michael Blumenthal against the dollar and to destroy the U.S. economy. Blumenthal should have been removed from office long since, before the crisis of the dollar reached such dire proportions, along with the rest of the team of City of London conspirators inside the Administration — Vice President Walter Mondale, Energy Czar James Schlesinger, and now Federal Reserve Chairman G. William Miller. It is now a matter of the gravest national emergency that the traitor be dumped immediately. This is the bill of particulars for the indictment of W. Michael Blumenthal:

"Malign Neglect" of the Dollar

Since the day Blumenthal was sworn in as U.S. Treasury Secretary in January 1977 the U.S. dollar has plunged 16 percent in value against the West German mark, 24 percent against the Swiss franc, and 19 percent against the Japanese yen. Throughout the period City of London ally Blumenthal has looked on coolly, predicting bigger and bigger U.S. trade deficits and insisting on the desirability of the dollar's steady depreciation. Blumenthal has pursued a strategy of deliberately "talking down the dollar," while opposing measures to boost U.S. high technology exports and attempting to bludgeon the major surplus countries, Japan and West Germany, into reflating their economies and joining the U.S. in trade deficit. This strategy has worked not only to the detriment of the U.S. economy, which should be fulfilling its historical role as a major exporter of advanced technology and capital goods to the rest of the world. Blumenthal's policy has endangered our relations with our closest allies abroad — including West Germany, Japan, and Saudi Arabia — and threatened world peace.

Anti-Business, Anti-Labor Tax "Reform"

The original Blumenthal tax reform program, which has since been weeded of some of its most abhorent features, was a program for deindustrializing the United States. The "comprehensive income tax" approach, designed by the people at the Brookings Institution and adopted by Blumenthal, is without question the worst approach to taxation in the history of this country. In the name of taxing all income "equally" and eliminating tax loopholes, the Blumenthal-Brookings approach is to phase out all features of the present tax code which promote capital investment. It includes these anti-business and anti-labor features:

* elimination of all items in the tax code which are designed to promote capital intensive enterprises, including: preferential treatment for capital gains income; the percentage depletion allowance for oil, gas, and other minerals; accelerated depreciation; tax deferrals for foreign subsidiaries of U.S. corporations, etc. A computer simulation run by Merrill Lynch showed that if the full Blumenthal program had gone through, the specific industries that would be worst impacted would "include most of the energy-related, metal, and mining groups ... the machinery, heavy construction, airline, rail, water transport, and basic industries ... the paper and forest products industries ... utilities"!

* an anti-labor "Tax Incentive Plan," which would penalize corporations that grant their employees wage increases in excess of the government wage ceiling and

reward companies that hold wage gains below the standard through tax reductions.

The present version of Blumenthal's tax bill retains features of the original draft which discriminate against exports (Blumenthal intends to phase out DISC, a program which allows the export subsidiaries of U.S. corporations preferential treatment) and against foreign investment (multinational corporations would be forced to repatriate all earnings immediately for taxation). In addition, the $25 billion in promised tax cuts for business and individuals will be outweighed by some $40 billion in tax increases.

Anti-American Budget

The Fiscal Year 1979 federal budget that Treasury Secretary Blumenthal presented to the Congress January 23, and which he had a large hand in authoring, guts U.S. research and development, especially basic research, and therefore undermines the future productivity of the U.S. economy and the national security of the country. The actual volume of federal borrowing implied by the budget is not the $62 billion projected deficit, but more like $140 billion, if off-budget financing is taken into account and if, as is probable, the level of tax revenues is lower than expected. Thus the budget is designed to blow apart the U.S. credit system. The entire margin of increase in off budget borrowing, moreover, is for holding up the inflated housing and real estate market.

Destruction of New York City

Blumenthal is the author of a plan for putting New York City solidly under the control of the Municipal Assistance Corporation and its chairman, core British conspirator Felix Rohatyn of Lazard Freres. Blumenthal is proposing to terminate the current program of federal seasonal loans which have provided the city with up to $2 billion a year for operating expenses and instead extend $2 billion in 15 year federal loan guarantees to MAC. A federally subsidized MAC would be in de facto control of the disposition of all of New York City's funds and would have the power to administer new levels of cuts and union busting and channel the new funds into pilot slave labor projects in the city.

Blumenthal to Blame

Frankfurter Allgemeine Zeitung, March 2:

The leading power is no longer leading. Even though the Federal Republic of Germany has been following the correct course economically, what will happen if the present trend continues? We will be in bad shape. U.S. Treasury Secretary Blumenthal is to blame; if the dollar goes, there goes the Western Alliance and NATO as well.

History of a Traitor

When Blumenthal was sworn into office in January 1977, the Anglophile Eastern Establishment press attempted to sell the former chairman of the Bendix corporation as a businessman, responsive to the interests of other businessmen across the country. His actions in office promptly wrecked that image. His history before becoming Treasury Secretary shows him to be part of a highly trained team of agents which includes James Schlesinger and G. William Miller who were deployed into the business community and government to wreck the U.S. economy on behalf of a clique of London merchants and their U.S.-based allies.

The by now general suspicion of Blumenthal in business circles — "He's not a businessman, he's a Ph.D." — is more warranted than most businessmen imagine. Blumenthal earned his Ph.D. at the Industrial Relations department of Princeton University for studying "codetermination," the historically British technique of controlling labor and management, for application in the U.S. In 1953-54 he traveled back to his native Germany for fieldwork on codetermination as it was then being introduced by Tavistock industrial relations experts in the iron and steel industries of the British occupied Ruhr Valley. In the preface to "Codetermination in the German Steel Industry," the 1956 pamphlet based on his thesis, Blumenthal noted that codetermination (*Mitbestimming*) was being used in the British occupation zone to "decentralize and decartelize" the German heavy industry — and prevent the reconstruction of an industrial capitalist German state independent of City of London control.

In 1961 a former Princeton associate positioned Blumenthal in the London-oriented Kennedy Administration and referred Blumenthal to George Ball, Undersecretary of State, later partner in Lehman Brothers. As an Assistant Secretary of State for Economic Affairs, Blumenthal became the department's specialist in international commodity trade, a traditionally British purview. In 1962 he negotiated an international coffee agreement which put a floor under coffee prices to back up the growing debts of the coffee producing countries at the expense of consumers. This was the sort of cartel agreement that the U.S. had traditionally opposed, and a forerunner of the UNCTAD "Common Fund" and the schemes pushed by the Brookings Institution. Blumenthal also was critical of measures before the U.S. Congress to protect domestic sugar producers. Blumenthal favored imports of sugar produced through labor-intensive methods in the Caribbean.

When Blumenthal became chairman of Bendix in 1972, he said that the biggest single challenge was impressing upon the corporation's many scientists and engineers that all of their technological innovations couldn't be developed; his aim was to make them more attentive to the "profit motive" — that is, paper profit. He reorganized the management structure, creating a core management group which included himself, the corporation's former counsel, a former vice president for finance, and one engineer. This type of management reorganization — replacing engineers and production men with Ph.D.s, lawyers, accountants, etc. — was widespread at the time and a modus operandi by which London-linked investment banks—in the case of Bendix, Lehman Brothers—infiltrated the U.S. corporate sector.

In complicity with the infamous Institute for Social Research at the University of Michigan, the sister organization of the Tavistock Institute of London, Blumenthal introduced the industrial brainwashing technique which had been pioneered at Tavistock, including "T-group" therapy, drugs, coparticipation, and other methods for inducing workers to speed themselves up and like it.

In keeping with his identity as a fascist planner, in the fall of 1975 Blumenthal joined former United Autoworkers president Leonard Woodcock and former Treasury Undersecretary and investment banker Robert Roosa in founding the Initiatives Committee for National Economic Planning (ICNEP). ICNEP called for zero growth, austerity planning for "post industrial society," and openly espoused corporatism — "fascism with a human face," as ICNEP called it — as the group saw it developing in Great Britain under the auspices of circles around the Tavistock Institute.

Blumenthal is a director of a number of important London-dominated "strategic studies" organizations (organizations for the study of conflict, counterinsurgency, subversion of sovereign nations, etc.). These include the Atlantic Council, the National Commission on U.S.-China Relations, and the London-infiltrated Rockefeller Foundation. The Systems Research Department at Bendix Aerospace Systems Division in Ann Arbor, Mich., is the only significant strategic studies center located at a U.S. corporation, according to the International Institute for Strategic Studies 1970 Survey of Strategic Studies.

The Treason Against U.S. Dollar

The collapse of the dollar began in earnest at the end of June 1977 following the Paris economic summit meeting of the nations of the Organization for Economic Cooperation and Development (OECD), where Blumenthal demanded that the surplus countries of West Germany, Holland, Switzerland, and Japan allow their currencies to appreciate, and that the "weak" countries of Scandinavia and Europe's Mediterranean tier slash their imports and impose severe austerity measures to reduce their balance of payments deficits. On July 27, the West German daily *Die Zeit* called Blumenthal's neglect of the dollar a strategy of "wild west floating," and admonished, "Stop Blumenthal Now!" On July 28 in an article entitled "Behind the Scandal — Official Manipulation Suspected," the financial daily *Handelsblatt* accused the U.S. Administration of deliberately allowing the dollar to drop and termed Blumenthal an "elephant in a porcelain shop." A third West German paper, the *Frankfurter Allgemeine Zeitung* charged on July 27 that Washington was playing an "objectionable game ... more egotistical than it bears responsibility for the world economy."

With no change in policy forthcoming from Washington and unconcerned predictions by Blumenthal and other Administration officials that the trade deficit for the year could hit $30 billion, the Europeans began to intervene decisively in collaboration with certain business and political circles in the U.S. to defend the dollar and force a policy shift in Washington. In an unusual press statement on December 5, Swiss National Bank President Fritz Leutwiler commented, "You can no longer say that what the United States is doing is benign neglect of the dollar. It is now malign neglect on the part of the United States," and he urged the U.S. to make use of its large and unutilized swap lines with European central banks, or obtain Swiss francs and deutschemarks to conduct support operations by selling its gold.

Such statements prompted the Administration to intervene both politically and through more active support operations in the market, with the effect that the dollar stabilized in January. However, over the weekend of February 11-12 Blumenthal traveled to Europe to put renewed pressure on West Germany to flood its economy with inflation, making a personal visit to Chancellor Helmut Schmidt for this purpose. This confrontation temporarily succeeded in provoking the West Germans to stop supporting the dollar. "We are not going to play games with Blumenthal any more," a West German banking official said. "Last year the Bundesbank had to write off 7.3 billion deutschemarks because of dollar depreciation, which were funds that could have been invested in the economy.... The Bundesbank is exhausted." Bundesbank chairman Otmar Emminger announced at the time that the West German central bank had spent 11 billion deutschemarks ($5.5 billion) defending the dollar in the three months through January.

Following Blumenthal's European junket, the dollar plunged steadily, falling through the 2 deutschemark level for the first time in postwar history at the end of February. It has stabilized over the last week due to the concerted efforts of European banking and industrial circles and some forces in the U.S. Administration and banking and business community — in defiance of Blumenthal.