instead of dumping them. Beyond this, the evidence comes from the anti-EMF side: the London opinion-makers who blacked out the EMS initiative until it succeeded, are now trying to torpedo it and take over its remains.

This week the London *Financial Times* and London *Economist* fell into a depth of hysteria not witnessed since Schmidt and Giscard's initial success. They insisted on (1) the impossibility of currency interventions to aid the dollar or the weaker European currencies, and (2) the necessity of a deutschemark revaluation.

"The experience of recent years gives no grounds for supposing that official intervention guided simply by supposedly superior guesswork is any cure for the [exchange-rate] disease," intoned the *Financial Times* lead editorial June 27. "It can easily make it worse ... better co-ordination of domestic policies is essential." The June 23 *Economist*, claiming that intervention within the EMS on behalf of the Belgian and Danish currencies simply "increases pressure" against them, signaled its real concern: "All the pre-EMS talk of coordinated dollar policy has been found to be so much hogwash. Now, EMS central bankers are talking busily about it again; but with so many individual volte-faces over the past year it is not easy to see a stable dollar policy emerging."

The June 23 business lead was titled "Realism now: European monetary parities are not sacred." It also calls for "sufficient coordination of economic policies," smirks about the "competitive interest rate scramble" triggered by the Bundesbank's tight-money policies. It ends with a dramatic prediction that the French franc will be in serious trouble if the mark is not revalued. Two other articles foresee strong revaluation of the mark against the dollar as well "before the end of the year," and sterling entry into the EMS currency grid at close to the pound's present exchange rate—which combined with a mark upvaluation would mean an upward adjustment of the grid's European Currency Unit metric, and something like 15 percent devaluation for the weaker currencies.

What all this adds up to is the British plan for joining the EMS in the fall—Margaret Thatcher pledged $4 billion of U.K. gold and dollar reserves to the EMS at the Strasbourg summit meeting as a step toward membership—in the expectation that Britain, with its North Sea revenue and sterling renaissance, will introduce the "two-tiered" EMS the British advocated last year before they were excluded. A Thatcherized Britain and an anglicized West Germany would run the show; an economically humiliated France would be in the "lower tier." If it were all so easy, however, the British would sound shrill on the EMS subject.

—*Susan Johnson*

INTERNATIONAL CREDIT

British: hand OPEC's 'big potato' to IMF

In a June 27 editorial entitled "Capital on the Move," the *Financial Times* of London spelled out more explicitly than ever the monetary program which the British financial elite hope will emerge from the Tokyo summit. According to the *Financial Times*, the recent turmoil on world currency markets, which has sent the dollar tumbling against the West German mark and the British pound sterling, is an anticipation of even greater upheavals which are likely to occur in "the next stage of the oil crisis."

The solution? The *Financial Times* states that the Tokyo summit must find a way to persuade the OPEC countries to place their expanding petrodollar surpluses directly with the International Monetary Fund (IMF). The IMF will have control over the petrodollar-recycling process and will impose harsh austerity conditions on all deficit countries. The so-called "dollar overhang program will be solved, because the oil-producing countries will place the bulk of their "excess" dollars with the IMF, which will simply take them out of circulation and replace them with the IMF's own IOU—the Special Drawing Right.

Sterling "regaining old status"?

World capital markets, unfortunately, are behaving somewhat as if this retire-the-dollar scenario were in effect. During the past week, for example, there has been a sudden surge of interest in deutschemark-denominated Eurobonds at the expense of the dollar sector of the market. Market analysts attribute this shift not only to tight primary-market D-mark offerings compared with a large new Eurodollar bond supply, but to widespread belief among investors that the deutschemark will soon be revalued against both the dollar and the other members of the European Monetary System. The attractiveness of D-mark bonds has been enhanced by the tight money policies of anglophile Bundesbank chief Otmar Emminger.

Bank of England statistics show that foreign official and private holdings of sterling now stand at 8.5 billion pounds, or $18 billion, the highest level in 10 years. "Sterling has regained much of its old status as an important medium for foreign and governmental investment," crows the *Financial Times*.

—*Alice Roth*