International Credit by William Engdahl

Bankers' plot advances in Madrid

The 12-nation European Community at its Madrid summit took a giant step toward ending the nation-state.

Creation of an autonomous, supranational central bank for the 12 nations of Western Europe's Economic Community, politely dubbed European Monetary Union, advanced a giant step at the June 27 Madrid heads-of-state meeting.

The prime ministers and Presidents of the 12 nations agreed to full participation of all 12 national currencies in the European Monetary System (EMS) by July 1, 1990, the time when national financial market controls in the EC will be finally lifted under Europe's "1992 Single Market" plan. The EMS is the system of agreed currency zones in the EC, which was created in the late 1970s to defend against dollar instability. But it was intended by its architects to be the first step to creation of a top-down central bank for all Europe.

Until Madrid, British Prime Minister Margaret Thatcher had refused to link the pound sterling to the German mark and other currency levels of the EMS "until the time is right." In Madrid, under pressure from the financial interests of the City of London including the Bank of England, she agreed to a conditional "compromise" agreement for British full membership in the EMS by next July.

More significant, according to Brussels EC sources, was Thatcher's agreement to take part in a summit to revise the Treaty of Rome, the EC's ground-rule treaty. Monetary and economic union is explicitly left out of the mandate of the EC under the present treaty. For a new, supranational central bank to be created, unanimous agreement by the national parliaments of all 12 member states is required.

Great pains have been taken by European Commission President Jacques Delors and others to create the impression of a serious "debate" about the issue of a European central bank, a highly controversial scheme considered by its backers to be the very heart of the supranational Europe 1992 scheme.

In reality, the European central bank scheme has been fully worked out by a secretive elite of central bankers and Brussels EC civil servants. Trilateral Commission economist Niels Thygesen drafted the blueprint for a scheme nominally modeled on America's 12 Federal Reserve district banks. Under his plan, each nation would have a seat on a new European System of Central Banks, or ESCB. Even the name has been chosen to deceive.

"Let me be very crude," a Luxembourg insider intimately involved in the process confided. "This process leading to creation of a European central bank is very, very strong. The detailed design of how to bring it about, and exactly what it will be, was already agreed before the [June 1988] Hanover summit when Delors was 'asked' by the heads of state to form a commission to study the idea. The French and the Germans are behind it. If France and Germany agree, the other smaller nations of Europe have no alternative but to go along," he insisted. "Thatcher can 'bargain' until she is out of the game. But there are too many things carefully in place for this to be stopped now. The stakes are very high."

Delors, former Bank of France official and Socialist minister in the Mitterrand government, is the up-front pusher for Europe 1992. According to the Luxembourg banker, his Committee for the Study of Economic and Monetary Union was a hand-picked affair whose final outcome was agreed by a tiny elite. Chaired by Delors, who himself drafted the final report, the committee included the heads of the 12 central banks. Absent were any national trade union, farmer, or other constituency organizations.

The core of the Delors Report to the heads of government at Madrid was his plan for a "three step" process leading to the supranational central bank. Thatcher has conditionally agreed to join "step one" while insisting on her fundamental opposition to steps two and three, the real core of the central bank scheme. Rightly, she says this "would be the biggest transfer of sovereignty we've ever had."

If the scheme succeeds, Germany, for example, or France, will simply give up control over the most basic decisions of everyday economic life. Control of national budgets will pass to the new ESCB. If national parliaments vote emergency employment measures to improve their national economy and it is opposed by the ESCB, the ESCB will rule. If a country decides to improve health conditions and violates the ESCB, it will be voted down. Control of money and credit, the very heart of national sovereignty, is surrendered under the Delors scheme.

Delors is explicit. His new central bank will be "independent of instructions from national governments and Community authorities. Both Governors and [ESCB] Board members will have security of tenure." "The Delors scheme has been designed explicitly to set up a central bank autonomous and free from any interference from national parliaments," a senior City of London banker stressed.