London is the center of the foreign exchange whirlwind

by Anthony K. Wikrent

Since Lord Denis Healey, former British Chancellor of the Exchequer, called for a tax on financial derivatives at the annual conference of the Swiss Commodities Futures and Options Association in Bürgenstock, Switzerland in early September, increasing attention has been focused on the $1 trillion-a-day-plus realm of foreign exchange trading, upon which about one-third of the world's financial derivatives is based. Lord Healey pointed out that only about 2% of the over $1 trillion a day in foreign exchange trading is related to actual trade; the rest is pure speculation.

The great irony is that the center of foreign exchange trading is, far and away, the City of London. In April 1992, twenty-six central banks around the world conducted a survey of foreign exchange trading within their jurisdictions. The results were published by the Bank for International Settlements in March 1993, as a report entitled *Central Bank Survey of Foreign Exchange Market Activity in April 1992*. The BIS survey found that Britain accounted for 34.1% of the world's $1.13 trillion of *daily* foreign exchange trading in April 1992. The United States accounted for 21.8%, Japan 14.3%, and Germany 6.5%. Germany in fact was eclipsed by Singapore and Hongkong, with 8.6% and 6.9%, respectively. The British Commonwealth taken as a bloc accounted for 49.6% of the world's foreign exchange trading.

One of the most astonishing revelations of the BIS report was that British forex (foreign exchange) traders deal in more dollars and more deutschemarks, than their counterparts in the United States and Germany. This is a major clue to the fact that the British Empire is, financially, still very much a going concern, with the City of London skimming off as much as it can from every corner of the world.

How the numbers were calculated

EIR took the numbers for forex trading of each country from the BIS report, and compared them to the 1992 merchandise trade of each country, using data reported in the 1993 *International Trade Statistics* from the General Agreement on Tariffs and Trade. The figures for imports were added to exports, to give a figure for total merchandise trade in 1992. Since the BIS figures are for daily forex trading, *EIR* multiplied the figures by the number of business days in a year, to arrive at a figure for annual forex trading for each country. The merchandise trade numbers were then divided by the forex trading numbers, to see which countries had foreign exchange trading most closely related to actual trade, and which countries had the most speculative forex trading.

Not surprisingly, *EIR* found that the lowest figure for total foreign trade as a percentage of the daily foreign exchange turnover is to be found in Britain. Countries that are part of the Commonwealth, particularly Singapore and Hongkong, were also found to generally have the least connection between actual trade, and foreign exchange.

Britain pulled the plug

The flood of foreign exchange trading began when Britain delivered the *coup de grâce* to the Bretton Woods system of fixed exchange rates in August 1971, compelling U.S. President Richard Nixon to take the dollar off the gold standard.

At the time, the U.S. dollar had been under massive pressure, with unusually high demand for changing dollars into gold. The first monthly merchandise trade deficit the United States had run since the end of World War II had been reported in March 1971, confirming suspicions held by many economists, government officials, and business executives around the world, that the tidal wave of mergers and acquisitions in the 1960s had left the U.S. industrial plant starved for investment: The U.S. economy was no longer paying its own way in the world, but was becoming increasingly dependent on foreign goods to maintain the illusion of prosperity. Under these circumstances, it was not very smart to be holding dollars that would obviously have to be devaluated sooner or later, as the French had been loudly pleading and insisting be done.

The precipitating event for a full-fledged crisis of confidence in the dollar was a visit to the U.S. Treasury by the British ambassador in the second week of August 1971, to inquire about the possibility of Britain redeeming the entirety of the $3 billion in dollar holdings Britain then had, for gold. U.S. gold reserves at the time were only $12 billion; if others were to follow the lead of Britain, there was no way the United States could honor its commitment to the gold convertibility of the dollar. Looming darkly in everyone's mind was the Eurodollar market, which had been growing explosively. This massive pool of U.S. dollars, beyond the reach of U.S. regulatory and legal authority, had reached the then-

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staggering level of about $100 billion by the end of 1970.

As then-U.S. President Richard Nixon noted in his memoirs at the time, "We knew we would very soon have to confront a major crisis concerning the international economic position of the United States."

Volcker's insidious influence

On Aug. 13, 1971, Nixon convened a secret meeting at Camp David, consisting of his top advisers, Treasury Secretary John Connally, and some speech writers. For two days, the group tried to make sense of the problem, with Connally steadfastly arguing that the only feasible solution was to end gold convertibility of the dollar, and seek a new foreign exchange parity price in consultations with Britain, France, Japan, West Germany, Italy, and Canada. Historical reports are that Connally was prepped for his role at Camp David for months by his undersecretary, Paul Volcker, who would later, after becoming chairman of the U.S. Federal Reserve in September 1979, accelerate the demise of the U.S. industrial economy by introducing double-digit interest rates.

Once everyone had come around to Connally's position, the speech writers went to work. On Aug. 15, 1971, Nixon announced on national television that, henceforth, dollars would be exchanged for gold only at the pleasure of the U.S. government.

Interestingly, despite the argument that new consultations were needed to fix a new parity for the dollar, *no U.S. allies were notified of the dramatic shift in U.S. policy*. Ambassadors, finance ministers, and central bankers learned of the end of dollar convertibility as they sat in front of their TVs.

The floating exchange rates were supposed to be temporary, but a series of discussions between top U.S., European, and Japanese financial and monetary officials went nowhere, and foreign exchange trading grew from an estimated $25 billion a day in 1971, to $100 billion a day by 1973.

The interconnected British Establishment

Volcker today sits on the board of Imperial Chemical Industries PLC, near the epicenter of the City of London's apparatus of financial imperium, providing us another clue as to what was really going on. A Bank of England study covered by the London *Financial Times* on April 2, 1993, reported that the ten most active forex banks in London controlled 43% of the City's forex trading. Thus, just about one-quarter of the $1 trillion-a-day-plus foreign exchange trading worldwide is directed by just ten firms in the City of London.

These firms are extensively interconnected with the British oligarchy, and with the top corporations that the British oligarchy has established to maintain a choke hold on the world's raw material natural resources. For example, on the board of Imperial Chemical Industries with Volcker is Sir Denys Hartley Henderson, chairman of the firm. Sir Henderson is also on the board of RTZ Corp.—the company that earned repeated mention in *Dope Inc.*, the *EIR* best-seller on who runs the drug trade. RTZ is the second-largest mining firm in the world. (The largest is Anglo-American Corp. of South Africa, also controlled by London through N.M. Rothschild and Sons Ltd.) The Royal Family's stake in RTZ is so large that, in 1978, the queen's Principal Private Secretary, Lord Charteris of Amisfield, was made a director of the company.

Sir Henderson also serves on the board of Barclay's Bank PLC, the largest banking firm in Britain. Sir Martin Wakefield Jacomb, just retired as deputy chairman of Barclays Bank PLC in December 1993, is also a director of the Bank of England, as well as deputy chairman of RTZ. Sir John Derek Birkin, TD, another director of Barclays, is chairman of RTZ. Another director of Barclays, Lord Lawson of Blaby, served as Baroness Margaret Thatcher's Chancellor of the Exchequer from 1983 to 1990.

Lord Wright of Richmond, another director of Barclays Bank, is also a director of British Petroleum. Lord Richmond also serves as permanent undersecretary of state at the Foreign and Commonwealth Office, and was head of the Diplomatic Service from 1986 to 1991.

TABLE 1

Relationship between currency trading and physical foreign trade

Country	Trade as percent of foreign exchange in 1992	Daily volume of foreign exchange trading April 1992 (billions $)	1992 merchandise trade (imports plus exports) (billions $)
United Kingdom	0.56%	$300.217	$411.551
Singapore	0.73	75.860	135.660
Switzerland	0.79	68.078	131.401
Bahrain	0.89	3.467	7.561
Denmark	1.09	27.600	73.292
Australia	1.19	29.837	86.276
Hong Kong	1.63	60.906	242.942
New Zealand	1.85	4.222	19.026
Japan	1.86	126.104	573.131
Sweden	2.02	21.472	106.036
United States	2.14	192.302	1,002.087
Finland	2.74	6.760	45.195
Ireland	3.44	6.049	50.804
Canada	4.79	22.530	263.210
Norway	4.80	5.217	61.083
South Africa	5.33	3.462	45.011
Spain	5.40	12.458	164.088
France	5.48	35.546	475.400
Germany	6.08	56.518	838.661
Austria	9.19	4.397	98.559
Italy	9.69	15.509	366.675
Greece	12.23	1.095	32.668
Portugal	14.84	1.323	47.920