

# Role of Big Speculators In Crisis Is Discounted

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By JOHN M. LEE

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LONDON, Aug. 18 — President Nixon's effort to blame international speculators for the troubles of the dollar were dismissed as a red herring today by international bankers and corporate officials here.

Some speculation has certainly been present, these experts agreed. But they described the vast movements of funds out of the dollar and into stronger currencies as largely reflecting prudent financial management by businessmen all over the world.

In the last three days, some \$1.6-billion has surged into the Japanese yen over the usually watertight Japanese exchange controls. Last week, the Swiss National Bank absorbed an unwanted \$2-billion from traders who preferred Swiss francs.

Where is this money coming from? How much of it is speculative? Will bankers and businessmen act any differently in the future? These are among the questions absorbing the attention of policymakers in Washington and other capitals.

The money comes from thousands of separate transactions.

In London last week, a multinational company, faced with a debt in Japanese yen equivalent to \$4-million and payable in November, decided to sell dollars and buy yen immediately. The financial officer feared that if he waited until November, the yen might have increased in value then by, say, 10 per cent. His extra dollar cost would then be \$400,000.

## Decision Defended

"I would be an idiot not to buy now," the officer said. "I don't call that speculation."

Similarly, an international oil company treasurer who holds large balances in Eurodollars—the American dollars on deposit outside the United States—to meet Middle Eastern tax and royalty payments found it advisable to put some of his dollars into West German marks and Swiss francs. He thus sold dollars.

He reasoned that if the dollar was devalued and if the oil states demanded higher taxes to main their dollar purchasing power, his company could recoup some of the extra charge by having its spare funds in currencies that were likely to rise in value. More dollars could then be repurchased.

"In these circumstances," an American banker in London said, "the corporate treasurer who doesn't split some of his funds into other currencies simply isn't doing his job. That job is to guard his international

working balances from depreciation."

Bankers noted that the rise of the multinational corporations over the last two decades, with their access to and requirement for currencies all over the world, has created much greater scope for international money movements than heretofore.

The bankers also said it was impossible to tell what part of these movements was purely speculative. But some element of speculation is frequently present even in commercial transactions.

"Most corporate treasurers will say they don't speculate," said the head of a major New York bank's branch here. "But they like a position in the strong currencies and will find some reason to take one."

Last night, President Nixon returned to a theme he had sounded Sunday regarding this speculation. He declared in a dinner speech in New York that one purpose of his new economic program was to "defend the American dollar against the attacks of international speculators."

Financial experts, including some central banking sources, saw the President's remarks as a bit of political license, expressing, as one American banker put it, "the ritual political obeisance to the gnomes of Zurich."

## Familiar Complaints

The banker was referring to the practice of many politicians—including former Prime Minister Wilson of Britain, Finance Minister Karl Schiller of West Germany and Finance Minister Valéry Giscard d'Estaing of France—to blame their national currency problems on the sinister-sounding international speculators.

Financial experts acknowledge, however, that there are many opportunities and temptations for speculation not only by financial institutions and wealthy individuals but also by foreign exchange dealers themselves. Banks usually put a limit on speculative activities, but they themselves can contribute to currency movements by stocking up on currencies, such as Swiss francs, that they know their customers will want. To buy the francs, they often sell dollars.

But it is usually because of domestic shortcomings that currencies come under suspicion. As the prudent movement of funds gains momentum and becomes a rush, more and more of the transactions take on a speculative flavor, with motives more akin to expectation than