

## DEBT CRISIS SPELLS END OF ATLANTIC ALLIANCE

by David Goldman

New York, Aug. 13 (IPS) — The entire "Atlanticist" circuit of government officials, think-tank specialists, and businessmen on both sides of the Atlantic, is now glumly digesting the fact that Rockefeller financial policy will tear the "Atlantic Alliance" to shreds within the next several weeks.

All that the Treasury, Federal Reserve, and New York Banks — the bastions of the Rockefeller machine — can offer Western Europe is credit strangulation and trade war. As a whole, their provocations against the economically battered European continent this week provide sufficient ammunition for any European political faction that wants to get out from under 30 years of U.S. domination.

In a move without precedent since the trade wars of the 1930s, the Treasury Department this week announced that it would drive home charges of "dumping" — selling below cost in a foreign market — by European and other automobile manufacturers. The announcement reversed earlier Treasury intentions to quietly can the charges, brought originally by UAW chief Leonard Woodcock and a handful of Congressmen two months ago.

Trade-warrior David McDonald, in charge of the investigation from the Treasury side, warned, "We will pursue this thing to the bitter end. I don't care if they want to make a political brouhaha in Europe about it. They know better than that." McDonald warned darkly that Europe knows who would come out on top in open trade warfare.

State Department sources confirmed that the Treasury move was taken in retaliation against the West German Federal Bank, which last week cashed in U.S. government IOU's it had held for years under an old treaty agreement. The Federal Bank's sale of non-marketable U.S. government securities forced the Treasury to raise its already-exorbitant borrowing requirements by \$1.5 billion last week.

But the West Germans' modest self-defense measures came after a month of huge liquidity outflows from Western Europe and other sectors into the high-interest debt of the United States Government, creating chaos on the German and other credit markets. The

New York Banks and their captive institutions in Washington are draining liquidity from the productive sector internationally, and from the national credit systems of dollar-dependent Europe, to maintain the integrity of dollar debt in the U.S. sector.

### Grave Repercussions

Immediately, the pay-debts-at-all-costs policy of the Rockefeller banks has destroyed the ability of "Atlanticist" agents such as West German Chancellor Helmut Schmidt to operate. The Schmidt government is now openly mooting tax increases, budget cut-backs, and extreme wage austerity to reduce the \$35 billion a year deficit of the West German Federal and local governments. This deficit cannot be financed, the Federal Bank discovered last month, because Burns' tight-money policy in the United States is bleeding the West German economy dry of funds. Last week's sale of Treasury bonds, which drove Washington to hysterics, represented a short-term maneuver to ease liquidity conditions in West Germany by converting dollar-denominated paper into German marks, which could then flow into the German banking system.

But if Schmidt and his cronies veer towards 1931 levels of budget austerity, a replay of the New York City Scenario on Europe's most important industrial nation, the political consequences will be similar. Second International labor agents in West Germany like Heinz-Oskar Vetter of the German Trade Union Federation are clinging to their jobs through promises of make-work jobs on Federal construction projects. But the Burns-imposed financial squeeze on West Germany rules out Schachtian "deficit spending" to relieve the million-strong ranks of the unemployed. The German Social Democracy would be left defenseless before a working-class upsurge. Even nationally based financial interests are aghast at the price of continued dollar domination; one Federal Bank director warned yesterday, "Unlike in 1931, we can't scale down government expenditures to declining income."

The issue is posed all the more sharply since the alliance between the Soviet-led Council for Mutual Economic

Assistance and the Algerian and Iraqi-led Non-Aligned Nations group gives Europe a way out, should they choose it. Trade-dependent Western Europe could break out of the depression overnight on the basis of industrial orders from the CMEA and developing nations, financed by the Soviets' transfer ruble monetary system.

West German political observers estimate that about one-third of the West German parliament is prepared to break out of the dollar stranglehold, and seek the necessary terms from the Soviets and their partners in the Third World.

Within two weeks, as the Treasury attempts to raise a record \$11 billion in ten business days, the question will come to a head: the New York foreign exchange traders predict a wild jump in short-term interest rates as the Treasury grabs for cash, and a consequent flood of money into high-interest dollar debt.

Stateside, individuals associated with the "Patrician" wing of U.S. capitalists are furious at the Rockefeller-Kissinger Administration for losing them the world. "We're going to come out of the Lima meeting (of Non-Aligned nations) and the September Special Session of the United Nations with black eyes," says former Kennedy intimate Peter Kenen, now an economist at Princeton University. Most politicians and think-tankers of the Kennedy wing agree that the Third World has been lost; the only question left is, can Europe be saved?

A staffer at the Atlantic Council of the United States complained, "There is a growing accumulation of explosive material in Europe. This is a home truth that is pretty well known in Europe. Crises have to develop before anybody (in the U.S.) acts on these things. Take the Fall of Constantinople (in 1453). People were more concerned with counting the number of angels on a pinhead than worrying about the real world." Another think-tanker griped, "There is a paralysis setting in in Washington. People are only thrashing about."

This wing of the American bourgeoisie is generally aware that it has a limited number of weeks to dismantle the Rockefeller machine, or lose the rest of the world.