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Dollar Axis for Europe Crumbles; Seek New Int'l Monetary System

Feb. 15 (IPS) — French President Valery Giscard and West German Chancellor Helmut Schmidt ensured Friday that "all hell will break loose with the dollar next week," in the words of European currency traders, by announcing their refusal at present to allow the French franc to fall in value against the West German deutschemark and the dollar. Giscard and Schmidt agreed at their French Riviera summit meeting in Nice to "intensify intervention" from both their central banks to maintain a stable mark-franc exchange rate.

Their decision signals near-general European abandonment of the "dollar-deutschemark axis" policy of Wall Street's financiers and their NATO lieutenants, which first surfaced with the Jan. 21 attack on the Italian lira by investment and commercial banks led respectively by George Ball and David Rockefeller. The Wall Street policy was to collapse the lira, the Spanish peseta, the French franc, and then the rest of European currencies relative to the West German mark, while holding the mark's exchange rate with the dollar frozen. The liquidity drained from the 30 per cent cuts in European workers' living standards by this move would be used to continue international dollar debt payments like the combined $35 billion in French and Italian foreign debt, to keep the dollar stable.

Horrified by the destruction of European trade these devaluations would force, European industrialists compelled Giscard and Schmidt, themselves virtual NATO figureheads, to resist their Atlanticist masters. Without the axis, the current high value of the dollar cannot be maintained. In place of the franc, billions of dollars will be dumped when the markets open, begging the creation of a new international monetary system.

In meetings with USLP Chairman Lyndon H. LaRouche in Rome, and in their press, significant factions of these European capitalists have adopted various aspects of the International Development Bank policy, which would coordinate an international debt moratorium and replace the dollar with billions of gold-backed transfer ruble credits from the Soviet Union and its Comecon allies to finance industrial expansion.

In the leading examples of such developments, C. Gordon Tether, columnist for the London Financial Times, and Italian press linked to the pro-IDB Cefis industrialist faction in Italy explicitly proposed an international moratorium; and European central banks began negotiating a gold payments system to replace the dollar.

These initiatives must quickly expand into a full European-wide mobilization for the IDB if the world is to avoid a catastrophic complete collapse of production and trade around the March 31 deadline for international debt rollover. Unless IDB arrangements are essentially agreed on by March 31 and in operation by June 30, when debts for the next quarter come due, the ensuing collapse will plunge the world into an ecological holocaust from which it will not recover.

In his Feb. 12 column "Questioning the Validity of Debts," Tether noted the "growing support for the proposition that developing countries should be allowed, as a general rule, to declare a moratorium on their external indebtedness." He pointed out that "debt service is now absorbing as much as a quarter to a third of foreign currency earnings." Tether predicted that moratorium "will be taken up...in those affluent world countries — and there are quite a few — that have developed large domestic indebtedness." The columnist explained the growth of debt by noting that governments are scandalously "turning on the money printing press," supplying money cheaply to the banks, which "lend it back to the State at high rates of interest..."

Friday's L'Europeo, a magazine controlled by the Cefis forces in Italy, goes directly to the question of the implementation of debt moratorium. "Who will support us (Italy)," one article asks the world, "when we cannot pay our debts?" The present International Monetary Fund and its Wall Street masters are pointedly excluded from Italy's roster of potential supporters.

Il Fiorino, the Cefis financial paper, on the same day invited the Third World to push more strongly for debt moratoria, commenting that "much more was expected from the Manila meeting" of the Group of 77 developing questions on the question of debt and reporting that issues left open at Manila will be resolved at the current session of the Paris Conference on International Economic Cooperation (the North-South Conference). In discussing moratorium, the Cefis faction has identified it as a first step to the establishment of an IDB to issue new trade credits.

The Golden Transition

In expectation of an immediate plunge of the dollar on the markets next week, as well as of the coming moratoria on dollar debt, European Central Bank representatives at the Swiss headquarters of the Bank for International Settlements (BIS) are setting up a gold payments mechanism. Yale Professor Robert Triffin, economic consultant for Wall Street and the IMF, confirmed to IPS Friday that the West German decision to "let the dollar fall" means that a replacement medium for international trade payments is being sought. "Within the context of BIS agreements to support the price of gold by purchasing it on behalf of especially the Banque de France and other central banks," said Triffin, gold will be made such a replacement.

Economically, such a move will touch off a further run from the dollar into gold, crippling Wall Street's political power internationally. Limited to Europe, however, the new payments system could never coordinate international debt moratorium and support the vast expansion of new credits needed to expand European exports. Such a European golden snake is only useful as a transition to formal liaison with North America, the Comecon countries, and the Third World in an IDB arrangement.

Triffin noted that the Group of 19 leadership group of developing nations is pushing for the same kind of gold international payments system to replace the dollar at the Paris North-South Conference this week. The Group of 19 yesterday fully endorsed a Yugoslav proposal for Soviet participation in the talks.

"Who is Behind Our Troubles?"

Across Europe, a general hue and cry has gone up over the effects which even the attempt at a dollar-deutschemark axis has already had on European currencies, trade and industry. Much of it represents a real **potential** threat to the dollar and NATO domination of Europe.

In West Germany, Handelsblatt, financial paper of the pro-East-West trade industrialists, delivered a blast against the "Tindemans Plan" for integrating European arms production, which includes the idea of devaluations and austerity for the bottom half of a "two-tier Europe." "the psychological-political results would be disastrous," Handelsblatt stated, citing ominous "disturbances about this in Bonn." A high official of the giant Dresdner Bank, which led the mass sale of the dollar Feb. 12, told IPS "We cannot export austerity. We depend too much on the European Economic Community."

The Vice-President for West Germany of a major New York bank reported "No politician in an election year could justify revaluation of the deutschemark, which would hurt Germany's competitive export ability." He then quoted Reuters interviews with high West German banking sources: "It would seriously impair economic recovery...bring danger of high unemployment."

In Denmark, a leading Copenhagen banker told IPS this week that the Danish situation was rapidly approaching that in Italy and that in such circumstances, "debt moratorium is a possible solution." Meanwhile, the Danish press continued attacks on the Tindemans armament plan.

These developments gave added impetus to the recent call by Danish Foreign Minister K. B. Andersen for expanded trade with Eastern Europe. Andersen, who has broken with leading Atlanticists and openly attacked their Zero Growth insanity, recently returned from top level trade talks with Bulgaria.

A 30-man group of French Gaullists, the main impetus behind the BIS gold payments negotiations, issued a similar attack on the Tindemans Plan Feb. 11, and called for the formation of a Committee of National Independence, amid moves to dump the Giscard government. IPS interviews in Paris confirmed strong antipathy to the devaluation scenario, without, however, any overt commitment to the necessary over-all IDB approach.

In Switzerland, leading bankers are heavily backing the gold payments project, and indicated they are putting pressure on the government to formulate plans for an anticipated Italian debt moratorium and the resultant post-dollar international monetary system.