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P O. Box 1972, G.P.O.
New York, New York 10001
Editorial (212) 563-8628
Customer Service (212)563-8635

Monetary Crisis Out of Control

April 10 (IPS) — U.S. multinational corporations and commercial banks, in collusion with the Federal Reserve Bank and the State Department, stage-managed an open political war on leading European currencies this week. By the afternoon of April 9 heavy central bank support operations notwithstanding, the British pound and the Italian lira plunged to record low levels.

This new round of currency raids and forced devaluations goes beyond short-term looting schemes to maintain day-to-day dollar debt claims on $90 billion in such debt — the chief purpose of previous assaults. The latest assault is primarily a political wrecking operation against the governments of Western Europe which have failed to enact the austerity measures and fascist reorganization dictates of the Wall Street financial community.

"There has been no economic agreement reached on domestic austerity in France or elsewhere in Europe, clamored a State Department spokesman for European affairs. "The failure of political will in Europe to domestic strictness," he warned, "will have its consequences in the market." By inflating costs of imports and debt service such devaluations are intended to maximize existing financial and economic chaos and make it impossible for governments to rule except by recourse to "crisis-management" fascist government.

Accelerating Dollar Crisis

The immediate backdrop to this battering ram against Europe is the acceleration of the dollar crisis which traders expect to reach critical mass by late April. However, the currency attacks provoked by the Atlanticists' own actions turned into a feeder operation for the collapse of the dollar itself. Multinational corporations that liquidated pounds for dollars then dumped the proceeds for stronger European currencies. Only heavy support operations by the Federal Reserve Bank, running into the billions, prevented an all-out panic.

The U.S. Federal Reserve Bank last week absorbed billions of dollars "by every means at its disposal and in near record amounts in the latest statement week," to prevent a full-scale collapse of the U.S. currency. The scale of the Fed's action last week is a sure signal that the dollar has now fallen victim to Atlanticist strategy of implementing police-state austerity in Western Europe via forced currency devaluations — a policy whose intent was again a few extra weeks of life for the U.S. currency.

The U.S. Federal Reserve statistics for the week ending April 8 reveal that the bank absorbed an astonishing $9.2 billion through the sale of its holdings of Treasury and government agency paper. In addition, according to a foreign exchange source at Manufacturers Hanover, the Federal Reserve Bank of New York was intervening throughout the week on the dollar's behalf with very large purchases of U.S. dollars for West German marks.

These extraordinary moves by the Fed have hardly effected the glut of unwanted dollars now circling the globe in search of a rate-of-return bearing investment outlet. By the end of the week the dollar continued to weaken against the Japanese yen, deutschemark and the Swiss franc. Similarly, short-term interest rates on both the Eurodollar market and stateside — continued their weeks long downward slide. The Fed's action signal that the dollar-based international monetary system has now entered its terminal phase. From here on the Atlanticists either have to resort to straight jack-boot fascism, or, failing that, must embark upon a course of hyperinflationary money-printing to maintain the sanctity of the $800 billion debt overhang for a few more weeks.

At current depressed interest rate levels, that have made savings deposits a more attractive investment than Treasury bills, the U.S. Treasury is unable to simultaneously market its debt and maintain the solvency of the U.S. banking system. The foreigen central bank market has dried out due to eroding reserves positions of these banks. Meanwhile, private banks, facing rollover pressures and large deposit withdrawals, can no longer purchase Treasury paper. The Fed cannot tighten the Fed Funds market to make Treasuries more attractive since that would create a catastrophe for cash-starved New York banks with their enormous soft loan portfolios. This leaves direct Fed purchases of Treasury paper as the only available option to deal with the situation — an option which will have devastating consequences for the dollar at a time when the world market is already flooded with unwanted U.S. green backs.

While the Fed was absorbing $9.4 billion last week by dumping its holdings of government paper, the ten weekly reporting New York banks lost a whopping $7.255 billion in demand deposits as the 28 large dealers in government paper drew down on their accounts to purchase the paper. This sent these ten banks, in turn, running to the Fed Funds market to borrow $3.614 billion. Despite this, their excess reserves dropped by an average of $90 million per day. Any further operations of this kind by the Fed will leave the New York banks extremely vulnerable to a full-scale panic withdrawal.

All this leaves the U.S. Treasury in a situation broadly analogous to that of the bankrupt British Treasury. Faced with the situation where it could no longer market is own paper a little more than a month ago, the British government was forced to resort to debt monetization which resulted in a 5 per cent increase in the country's marrowly-defined money supply. The British government, currently faced with a $13 billion annual deficit, is now printing the money it needs to make up for what it cannot sell in the form of Treasury paper.

Underlying the collapse of the dollar is the basic illiquidity of the dollar and the sectors closest to it. Namely, the Eurodollar market's big annual rollover coincided with the collapse of the dollar. The New York banks have shipped $1 billion or more per week abroad for the past several weeks creating at least $15 — $20 billion s of new Eurodollar "liquidity." This "liquidity" acts against the dollar. Since the last Wall Street engineered run on European currencies last month, the Fed has been following in the schizophrenic position! First, it must pull out the stops to liquidity; then as was shown by its operations this week it must pull out the stops to destroy the liquidity it has just created. The space of time between these two operations is diminishing to the point of **simultaneity**, thus every action that the Fed takes is tending to further undermine the dollar and other currencies within the "dollar area." The fact that an identical process in underway in the sterling area merely accelerates the dollar's disintegration.

The continuing speculation in foreign currencies — a process which results in a further freeing-up of dollars on the market also accelerates the dollar collapse. As billions of dollars worth of short and long positions are taken in non-dollar currencies, the covering of short positions and going long on others results in massive increases in the overall aggregate dollars held by the banking system. To the extent that central banks dump dollars to protect their currencies — (the Bank of England which has spent $1.1 billion in March and $600 million this month from its wholly borrowed reserves) — this once again adds to the dollar liquidity pool.

Given the vulnerability of the dollar then, and with the only available alternatives for Wall Street to postpone a collapse of their empire being outright fascism or printing press hyperinflation, the last thing the Japanese and West German central banks should be doing in supporting the dollar. The Bank of Japan has supported the dollar through purchases of $350 million dollars over just the past two days, while the West German central bank, the Bundesbank, bought a significant portion of the $300 million EEC (European Economic Community) Eurobond that will be channeled into Italy with murderous conditions attached.

A foreign exchange trader at a major West German bank, commenting on the latest Wall-Street provoked assault on European currencies this week said, "This currency crisis will only result in a monetary blowup by Easter, but what can we do." A former advisor to Chase Manhattan Bank chairman David Rockefeller who is now with a Wall Street firm, compared the crisis to one particular onslaught of German tanks during WWII which he somehow managed to "muddle through." A spokesman for the Ball-Harriman-Rohatyn Atlanticist faction and aide to Big MAC cheif Felix Rohatyn admitted that the current crisis of the dollar was comparable to that of the sterling but added: "We will work out some form of debt moratorium for the Third World only when there is a full-blown crisis that would force everybody to act. Not before."

It is precisely this criminal stupidity on the part of such people that finally leads them to accept the Hitlers and the Rockefellers who at least are willing to act decisively. Wilhelm Marx, a partner at the investment bank of Sal Oppenheim, Jr., in Frankfurt, West Germany, after first admitting that "Europe is not prepared to coordinate economic and conjunctural policies." dictated by Wall Street, looked forward to plague-carrying rats from Mandalay, Burma, solving the dollar crisis. Commenting on the threatened worldwide spread of plague from Burma, he said' "Perhaps epidemics are the only solution to overpopulation. It's a biological fact," adding, "men need self-control...nature can help."

European Governments Hit the Rocks; U.S. To Impose Argentine Solution

April 1 (IPS) — The unceremonious dumping of the leading Atlanticist heads of state in Western Europe emerged this week as a major topic of private and public discussion in high Atlanticist circles in Washington this week. While the New York Times carried an undisguised obituary for West German Chancellor Helmut Schmidt, State Department sources report that state is now conducting studies on the shape of "post-Giscardian France."

As Wall Street sees it, the leading Atlanticists Schmidt and Giscard, despite their intentions, have proven their incapability to "cut the mustard" on austerity enforcement and are now targetted for early removal. The U.S. policy for Europe now is the extension to all of Europe of the National Security Council sponsored "Agnelli Plan" for fascism in Italy: the mere national sector pacesetter for the "Argentienization of Europe." Under this U.S. policy for Europe, a process of "destabilization" operations modelled on the last year's chaos in Argentina will culminate in the early imposition and consolidation of Schachtian strong-man regimes in every significant European sub-sector.

Under the "Argentinization" scheme, the intended victim country or region is put through a wringer in which Atlanticist operatives engage in maximizing the sense of despair and haplessmess in the population around the weekly heightened horrors of total economic collapse. Parallel to this, arises an exponential increase in Atlanticist "special operations" to engulf the victim in a rampage of engineered social chaos and terror.

As the hideous outcome of the Argentine "experiment" attests, these operations act to create, in the absence of programmatic opposition, a political vacuum, achieving the thorough discrediting of all political institutions associated with bourgeois democratic forms of government.

Requiem For a Leaderless Group

The Atlanticists' "Argentinization" goals are absolutely incompatible with the continued existence of parliamentary