

basic raw component of most manufacturing output, which the rest of the industry will follow within days.

There is, bluntly, not a chance in hell that the hyperinflationary threshold can be put off "until just about the time that the presidential elections swing into high gear," in a worried estimate attributed to the Ford White House. This is already substantially recognized in certain financier circles — and is pushing all the Atlanticist factions toward agreement to drop the "upswing" charade and rely directly on military force.

"There's been a basic change in the labor movement," Harvard "Italy expert" Peter Lang told a conference of economists in New York last week. "The discipline of unemployment has simply stopped working. The mechanism of recession can no longer be used to enforce wage restraint. But the **other mechanism** is politically difficult for bourgeois democracy, and that raises tremendous problems."

#### Inside the "Upswing"

The deplorable stupidity of the Atlanticists' turn to the printing presses is that they have reluctantly decided upon an "inflationary boom," with all inflation and no boom. In the U.S., there is a sudden acceleration in the rate of increase of money supply, at a time when business lending has collapsed. Money supply has risen by 12 per cent during the past three months — of which most of the increase occurred during the past three weeks — and the money supply including time deposits is barreling along at an annual rate of 18 per cent. Business loans at New York banks have fallen by \$4 billion since Jan. 1. Money is piling up inside the banking system, feeding every sort of speculation in stocks and commodities, because production is still paralyzed. The only active lending sector is consumer installment credit, which rose by \$3.3 billion during March. This accounts for the flash-in-the-pan rise in April new car sales.

Despite the predictions of upswing, and the even more pressing expectation of wildfire inflation, manufacturers are refusing to build up raw materials stocks. The National Association of Purchasing Managers reports that roughly half the firms it surveys are still **cutting** inventories. Business economists are speculating that the last round of industrial price increases will do no more than wipe out what market there is.

While the U.S. economy rots, the growing mass of unlendable funds pours out of the New York banks into Cayman Islands, Bahamas, or London "offshore" branches, where it becomes roughly 12 times that amount of Eurodollar market casino chips. The still modest-commodity price boom consists of the following:

A New York bank transfers a mere \$10 million to its Bahamas branch. This sum is deposited and re-deposited between various banks in the Caribbean and the London Eurodollar market, creating roughly \$120 million, on

average, in new deposits among the New York banks' island "shells." These deposits are then used to secure contracts for the future delivery of copper or tin at 10 per cent cash down, through any one of 20 "investors' funds" run between the Bahamas and the London Metals Exchange. In sum, a \$10 million deposit from Chase Manhattan's head office can buy \$1.2 billion worth of copper futures contracts in London — through the "Bermuda Triangle" hoax that has replaced the capitalist monetary system.

There is only one reason that last month's jump in the copper price was 20 per cent and not 2,000 per cent: industrial utilization of raw materials is so low that speculators are terrified of getting burnt the way they did when commodity prices collapsed by half between April and August of 1974

But if the Federal Reserve continues to permit money growth to balloon at the rate it did in the past month, the commodity market will blow out. The process of debt-refinancing itself, principally the generation of about \$50 billion in fictitious "Eurodollar deposits" to cover for defaulting Third World and other Eurodollar loans, creates a huge mass of unusable short-term funds, ready to spill into commodity speculation. The European Economic Community's proposed short-term emergency loan of \$1.2 billion to Italy will leave the cash-vaults of the West German central bank, and become an injection of cash reserves into the London-Bahamas circuit. This single "inflationary concession" to Italian political reality is sufficient to set off a hyperinflationary explosion through the "infinite multiplier" of the Eurodollar swindle.

#### No Buyers

In this context, what remains of world trade is a miserable farce. Third World "commodity export earnings" depend on a Bahama gambling casino! The U.S. economy imported in March 30 per cent more than during March 1975, stabilizing the exports of certain European countries and Japan on **paper**. In reality, the U.S. import picture, which produced a \$650 million trade deficit last month, is a gigantic re-shuffle of inventories between foreign and U.S.-based branches of the same multinational corporations, financed through (principally) Eurodollar loans, based on fictitious deposits. Most of these goods pile up in inventory — stockpiles of foreign cars in the U.S. are double those of domestic cars, at 110 days' supply. Nothing is sold; checks are written and figured into corporate profit accounts, but never cashed. This is the entire content of the "upswing."

The Atlanticists are not entirely blind to the disaster that is staring them in the face, as a spate of "the-monetary-system-is-out-of-control" articles and speeches during the past week demonstrates. As the monetary illusion translates into hyperinflationary breakdown crisis, the Atlanticists stumble towards the final option: war.

## NY Banker: You Need Showdowns to Show You're Not All Bluff

May 1 (IPS) — A source close to Big MAC chairman Felix Rohatyn was asked to comment this week on Wall Street backed plans to push ahead for a confrontation with the Soviet Union over the Mideast and for a NATO backed coup d'etat in Italy for mid-May. The source is known to express the opinions of Mr. Rohatyn.

"....The whole thing (the economy) is a speculative bubble.

Stocks, commodities, inventories, you know. It's operating on the principle that there is a greater fool down the road who will get it off my chest. Exactly as you said about (convicted swindler Bernie) Cornfeld's operation (off-shore funds manipulation through Caribbean dummy-bank branches), the key thing is that the bankers, (Federal Reserve Chairman Arthur) Burns, Treasury Secretary William Simon, International Monetary Fund, Bundesbank, must keep this thing

going past November. In order to do so, you need to have showdowns every now and then; that is essential to keep the confidence up and down the road.

"Without them (periodic confrontations and "shows of force"), it will come crashing down any minute. See, the way it works is like the Pennsylvania Bank and Westinghouse. Westinghouse comes in and tells the First Pennsylvania board they need another \$2 million. The bankers laugh and say you kidding, you already have \$20 million which you haven't paid. At which point, Westinghouse says: 'Oh yeah, but if you don't we won't repay and we'll go down but we'll take you with us.' The bankers sober up and scratch their heads and say 'OK, can you restructure?'

"From there they will bluff — both sides — and finally the bankers have to give in and live with whatever they can get. They are the ones who have to give in the end.

"Well that's how it is with the international credit system

and the world economy. Italy and the Mideast are showdowns but those guys have to back down eventually. I don't think the Mideast will be a nuclear thing.

"Now that Senator Jackson has proved to be a bag of wind. (President) Ford is the one we'll probably support. He will crack down after the elections. In the meantime Burns, Simon and IMF and Bundesbank, and the New York banks will keep the thing going. They don't expect to recover all their loans. They're buying time until the elections.

"There are problems: the curve for speculation is growing at a much faster rate than the consumer confidence curve, and if the final demand doesn't pick up faster, the whole thing might give before November.

IPS: "Is Simon in on this 'greater fool' policy, too?"

Source: "Oh look, Simon is showing his true colors. He is a politician. Sure he is supporting Burns on this."