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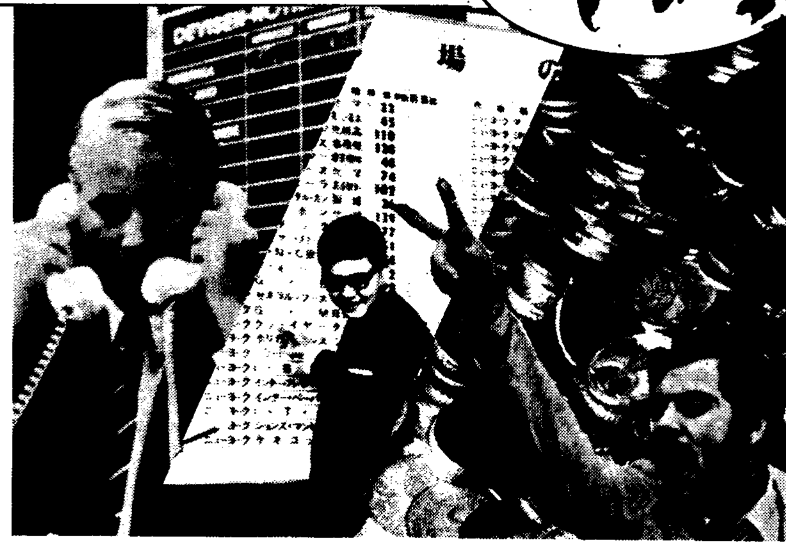
International Markets Newsletter



Dollar Bubble Threatened by Treasury, Fed Faction Fight

by David Goldman

Aug. 7 (NSIPS) — All out factional warfare on economic policy broke out this week in Washington and on Wall Street itself. On one side are Secretary of the Treasury William Simon, his side-kick Federal Reserve Chairman Arthur Burns, and the New York banks directly under the control of the Rockefeller family hell-bent on rolling over $800 billion of illiquid international debts. Arrayed against them are President Ford, Simon's Undersecretary Edwin Yeo, considerable forces in the Federal Reserve, and the U.S. regional banks.

Opposition in Washington to Rockefeller's policy of hyper-inflationary debt rollover has given Japan and West Germany the edge to resist the Wall Street pressure to revalue their currencies. Said one West German central bank official: "Now it is not the 'Americans', only the so-called 'market forces', who want to revalue the mark."

In the estimate of New York's Chemical Bank, a stupendous $100 billion will be required between now and year-end to prevent the bust of the dollar empire and their Eurodollar market swindle. But "90 per cent of the banks in this country, regional banks, are not going to sit back and tolerate hyperinflation in the interest of 15 to 20 banks," one Midwestern banker asserted.

So far, the regional bankers and conservative Republicans who are pressuring Ford to bring down the New York's Eurodollar "salad swindle" in the Caribbean are less a cohesive political faction than a political reaction formation against the Rockefeller gang. While individuals in their ranks privately support Third World debt moratoriaa and would be willing to support the Labor Party's International Development Bank when the Eurodollar swindle crashes, Wall Street's opposition is only slowly coming to grasp the urgent need for a new world monetary and trading system.

Nonetheless they have tied down Burns, Simon, and other Atlanticist hatchetmen yielding immense political maneuvering space to the French Gaullists, the new Andreotti government in Italy, the Japanese industrialists, and other advanced sector forces committed to the New International Economic Order.

Atlanticist Split

The immediate impact of the anti-Wall Street opposition has been to give the Japanese and West Germans — with assistance from the Treasury's Edwin Yeo — to pull out of the Eurodollar "salad swindle" they are currently drowning in. Against Simon's orders, Yeo, a former officer of the Wall Street firm Salomon Bros., has been giving encouragement to the bitter resistance of Japan and West Germany to the Brookings Institution scheme to pull up the yen and the mark and circulate them internationally alongside the dollar. The mark and yen, Brookings demands, would be used for inflationary debt rollover and to "buffer" the inflating dollar.

The split between Simon and Yeo broke out into an editorial war this week between the two top New York business publications, Business Week and the Wall Street Journal. Mouthing the Brookings Institution line, Business Week blasted the Japanese for refusing the hype job on their credit system, and threatened trade war in retaliation.

The Wall Street Journal answered Aug. 3: "Japan is not cheating. In fact, in aiming to stabilize the yen against the dollar, it's doing the United States a favor by mopping up surplus dollars with yen, thereby holding down price inflation in the United States." Sideswiping the Brookings Institution's C. Fred Bergsten, the Journal attacked economists who think "the way to improve your economy is arrange to make your people poorer."

Now with the help of the Swiss monetary authorities and Yeo, the West German government is withdrawing German marks from the Eurodollar pool at the rate of 1 billion marks a month, leaving the dollar weakened and exposed to attack. Every U.S. banking dollar that leaves for the Eurodollar pool, a knowledgeable source revealed, "replaces a European dollar going out. The Europeans are pulling in their horns, because they don't want to be stuck with all that bad debt."

Salad Swindle Called

The Eurodollar market is coming under attack at home as well. Regional bankers like the Treasury's Edwin Yeo are pressing Ford to move against the New York banks' Cayman Islands "salad oil swindle." According to a top Midwestern banker, Ford is launching a three-pronged attack against "15 or 20 big banks who operate without any kind of regulation at all." Congressional sources add that the anti-Wall Street group inside the Federal Reserve is giving strong support to this move.

First, Ford is fighting for the appointment of a new Controller of the Currency, the nation's chief bank regulator, Stanley Shirk. Formerly an accountant with access to the records of

Chase Manhattan and Citibank of New York, Shirk will crack down on operators of the illegal Cayman Islands swindle. Sen. William Proxmire (D-Wisc.) and Rep. Benjamin Rosenthal (D-NY) are frantically trying to block this Ford appointment because, a Rosenthal aide said, "Shirk knows too much."

Secondly, the Securities and Exchange Commission, at Ford's direction, has asked for tough new legislation to give Federal Courts subpoena powers to investigate securities dealings in the banks' Caribbean setup. Shady securities dealings have been a Wall Street specialty in conduiting Mafia, CIA, and other dirty money through the Cayman Islands.

Third, Ford has given strong backing to the Securities and Exchange Commission's proposal to introduce so-called "current value accounting" into bank regulation. This would force the 15-20 Eurodollar operators to write down about $50-60 billion of defaulted debts, which they now carry on their books at a fictitious face value, to their "current value" of about zero. "This wouldn't hurt Northwestern, Midwestern, or Southwestern banks much," a top Wall Street bank analyst commented, "but it would really hurt Wall Street."

In response, the New York banks are making frantic attempts to bully Ford into backing down. "I wouldn't bet on Ford," a Wall Street investment banker bragged. "David Rockefeller (of Chase Manhattan) and Walter Wriston (of Citibank) are much more powerful." An officer at Chemical Bank added, "We're going to need $100 billion to bail out Italy, France, and the Third World, and we're going to get it. West Germany and Japan will kick in, and Ford will back down. I know it's hyperinflationary, but it's better than having a war."

But regional bankers are confident that Ford will stick to his guns, and the White House staff is "screening out" telephone calls from the Lower Manhattan swindlers. Reportedly, one top banker up to his neck in bad Eurodollar debts asked Fed chairman Burns: "Arthur, you wouldn't let the big American banks go under, would you?" The beleaguered Burns shot back, "Maybe."

Europeans, Japanese Resist Wall St. Currency Attacks

Aug. 7 (NSIPS) — West German and Japanese capitalists "counter-punched" this week against an all-out Wall Street campaign to revalue their currencies and transform the deutschemark and yen into new international reserve currencies as a "buffer" for the bloated dollar. Wall Street's revaluation policy means that the West Germans and Japanese are forced to cut their industrial exports, converting substantial balance of payments surpluses into deficits, while hyperinflating their currencies into so much toilet paper — all to support the Dollar Empire.

As part of this "Dollar-Deutschemark-Yen-Atlantic Axis" strategy, the New York banks declared unremitting war on the French franc this week. Chemical Bank's blood-thirsty foreign exchange department promised the pressure would not let up until "we get a 30 per cent devaluation of the franc against the deutschemark." By the end of the week, the franc had depreciated another 1.4 per cent against the dollar. Only heavy intervention on the part of the West German central bank, the Bundesbank, and other European central banks averted the total collapse of the weaker European currencies still belonging to the "snake" agreement — the Belgian franc, Danish kroner, Dutch guilder, Swedish kroner, and Norwegian kroner.

But by mid-week a Bundesbank counteroffensive had emerged into public view, including a linking up with anti-dollar devaluation co-factioneers in the United States itself.

In an August 6 interview, one Bundesbank spokesman fairly bristled when informed that Brookings Institution economist C. Fred Bergsten was pushing deutschemark-yen revaluation, a repeat of the August 1971 "devalue the dollar . . . screw our allies" scenario. "Bergsten is full of . . . full of . . .unklarheit," the Bundesbank sputtered. "Deutschemark revaluation or dollar devaluation . . . there's no reason for it." West Germany is "tired of being forced by so-called market forces into a de facto reserve currency position," another Bundesbank spokesman complained.

On August 5, the leading West German financial paper Handelsblatt reported that the Bundesbank had adopted an "extraordinary" intervention policy to defend itself. Instead of printing up deutschemarks and selling them to foreign exchange speculators in exchange for Belgian francs, Danish kroners, etc. — thereby adding to the huge, potentially hyperinflationary growth of the Euromark market — the Bundesbank had begun to dump dollars. At the same time, it was reported that the Bundesbank had borrowed 1,150 million deutschemarks abroad during July — 750 million through a swap arrangement with the Swiss — ostensibly to finance government budget deficits. The effect of both these measures was to "soak up" excess deutschemarks held by foreign investors, thereby reducing the hyperinflationary danger for the West German economy. The moves also threatened to detonate an uncontrollable crisis for the U.S. dollar and the notorious "Eurodollar market" bubble.

The most spectacular resistance, however, came from Japanese industrialists, responsible for the recent exposés in Japanese magazines of Rockefeller's role in "watergating" former Prime Minister Tanaka. Japanese factioneering in the U.S. resulted in an August 3 Wall Street Journal editorial "Those Naughty Japanese," which ridiculed Bergsten's yen revaluation-dollar devaluation scenario as "improving your economy by making your people poorer." Investigation revealed that the editorial was inspired by a pro-trade faction in the U.S. Treasury Department and Federal Reserve, centered around Pittsburgh-based Assistant Treasury Secretary Yeo.

$100 Billion Bail-Out of War

In the meantime, the New York "monetarists" are advancing their "solution" to the world payments crisis: a combination of hyperinflationary bail-outs and arm-twisting, designed to stall off a blow-out of the international monetary system until Wall Street candidate Jimmy Carter gets into office and imposes a full-fledged fascist economy.

A review of the financial press reveals that the U.S. Atlanticists and their West German junior partners are already resorting to "under the table" inflationary bail-outs of every European debtor financed through the Eurocurrency markets.