

tages. Europe has no immediate alternative source of energy and will have to adapt economies to energy austerity and the abandonment of cherished social reforms, and governments will have to get used to electoral unpopularity....” That is, the Giscard and Schmidt governments will fall, and the EMS with them.

Bolton then pointed out that this will effectively destroy French and German currencies — and not just as “competitors” of the dollar. Only oil- and agricultural-rich countries will have financial standing — Mexico, Britain, Canada, and the U.S. “It may seem paradoxical, but the general forecast that the dollar is a doomed currency as the price of oil rises is probably wrong ... I can think of only one European country that has real possibilities of growth, and the name may surprise you. It is Great Britain. We are the only European country with surplus coal and oil resources.”

Of course, Boulton and the Bank have no desire to see the dollar stabilized for good. Boulton himself was the author of the confidential Bank of England report, published by *Executive Intelligence Review* last August, which was circulated among European central banks predicting a total end to the dollar's role as the international reserve currency. In fact, by deadline, Boulton's office at the Bank of England was reportedly again predicting a sharp fall in the U.S. dollar based on the general “collapse of foreign credibility in the U.S.” following the exposure of President Carter's strategic weaknesses in handling the hot Chinese invasion of Vietnam.

The point is, the City has put the central banks of the world on notice that they can raise and lower the dollar at will — as long as the American, continental European, and Japanese monetary authorities do not openly protest.

One of the most useful results for London of the Feb. 19-23 dollar stabilization was to lull Washington. Consider the tremendous pressure from Bonn and Paris on the Carter Administration for a U.S. denunciation of Chinese depredations. Consider the Europeans' insistence that in the interests of world peace “Moscow” (i.e. detente) “comes first” before the China card. British Ambassador Peter Jay is behind the in fact diametrically-opposed U.S. encouragement of China; his job of insisting Washington ignore European calls for sanity would have been made much harder if the U.S. had had last week to call on the EMS central banks for dollar support.

—Susan Johnson

CORPORATE STRATEGY

Question mark over Chrysler

The big question mark hanging over Chrysler Corporation in Detroit is whether the current temporary closings at two of its five domestic auto plants are just the beginning of the end for the nation's “No. 3” automaker. According to insider sources, unless Chrysler gets an immediate bailout from the Federal government, either in the form of a loan or a special dispensation on environmental regulations, the entire firm will go bankrupt.

The first option has already been scotched. Because of an obscure and unpublicized decision taken by President Carter in January to limit

federal credit assistance to any single company to \$50 million, Chrysler was denied its request for \$250 million in federal loan guarantees in early February. Chrysler has reapplied for \$50 million worth.

The domestic auto industry entered February with the second biggest inventory of new cars since the sluggish days of the late 1950s, when industry observers began keeping track of them. Chrysler at that time had a 113 1/2 day supply, with all but its subcompact cars in heavy oversupply. A 60 day supply is considered normal by the auto industry. Chrysler's bulging inven-

tories and the record loss it reported for 1978 prompted the current closings at Chrysler's Lynch Road assembly plant in Detroit and at a St. Louis plant, which together employ 7,900 auto workers. In line with the current trend in auto sales — only General Motors is doing well by taking over an increasingly large share of the domestic market — both Ford and American Motor Corporation also scheduled large temporary closings beginning Monday, Feb. 19.

In December the New England-based Harbridge thinktank issued a report to the Federal government asserting that “even a mild recession” might finish off Chrysler and AMC.

The one other out that has been mooted for Chrysler was ominously suggested by the recent report that Chrysler has just won a \$125 million contract to build tanks for the Department of Defense.

—Lydia Schulman