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RAMBOUILLET NATIONAL ECONOMIES BEAR BRUNT OF U.S. BANKING CRISIS

NEW YORK, Jan. 18 (IPS) -- The five nations who sat down with the U.S. at Rambouillet, Great Britain, West Germany, Italy, France, and Japan this week found their banking systems under a terminal strain and their economies in the throes of an industrial credit crunch as they are forced under the terms laid down in November to bear the brunt of the now-public U.S. banking crisis.

Since the first of the year, these countries central banks--especially those of West Germany and Japan (as well, as Switzerland and the Netherlands) have been forced to purchase more than $1 billion worth of dollars to support the bankrupt American currency. This operation has been carried out through the top down control of the U.S. Federal Reserve of the central bank coordination negotiated at Rambouillet.

The West German trade newspaper Handlesblatt charged Jan. 14 that in order to forestall a collapse of the dollar the (Fed-directed) central banks absorbed over $750 million in the first week of January alone with prior knowledge of the forthcoming Washington Post revelations on the extent of New York banks' loan losses.

The bank's support operations were the only basis for the Fed continuing to supply cheaps funds to the U.S. banking system to refinance its "soft" loans. This, in turn has caused a general fall in U.S. interest rates. Top New York bankers confirmed to IPS this week that without the support operation, the resultant drop in the U.S.-European rate differential would have added to the dollar's vulnerability. "(Fed Reserve Chairman Arthur Burns)will want to make sure that the Europeans supply funds to their banks at an equal rate (to that of the Fed)" one banker stated, in order to maintain the differential from the other end.

The carrying out of this Fed-directed policy translates into made-in-U.S.A. hyperinflation of European and Japanese banking systems, as their central banks are forced to print up sufficient marks and yen to both buy dollars and service their own banks Chase Manhattan-type difficulties to Third World tanker, municipal, and general Eurodollar loan refinancing. "Thats why Helmut Schmidt flew over here in a rage at the beginning of the New York City affair,"a noted international economist stated, "The Europeans are afraid that someone will take a good look at their debt."

The policy has necessitated the triaging of new loans (commercial and industrial or C & I loans) to industry, especially in the U.S. and for government services. This has created corporate difficulties in meeting debt service payments - leaving whole corporate sectors in a state of technical bankruptcy.

The Rambouillet Six must now hermetically seal off what remains of their productive sectors from the hyperinflationary disease within the banking system to forestall politically unacceptable rates of wholesale and retail inflation. This effort has produced insane economic policy debates, most which focus on this or that corporatist scheme and all of which are incompetent since they in no way deal with the problems of cancerous debt service itself or with the solution through general debt moratorium.

While some voices in this debate especially of the out-of-power opposition parties such as the French Gaullists and the U.S. Democrats -- are calling for extensive government spending and corporate subsidization to deal with unemployment; monetary authorities recoilling in horror from the thought of Weimar inflation this would produce, have opted across-the-board for austerity.

"European banks will see to it that new C & I loans are very carefully cut back.", one top banking source told IPS this week. "The BRD in 1976 will go for a British-style monetary contraction with drastically reduced lending on the corporate sector." British monetary growth for 1976 has been slashed to 4 per cent from 15 per cent in 1975.

Such traditionalist austerity approaches taken to avoid the debt moratorium has already begun to force cracks in whole banking systems in response to corporate contraction.

BRITAIN: CALL OUT THE RESERVES

In Britain, a situation of grave proportions developed this week when the Bank of England was forced to pay back its 1 per cent Special Deposit emergency reserves into the banking system. Months of squeezing out industry through a 17-20 per cent effective lendingrate (the 12 per cent prime rate described as being now "down" to 11 per cent) to create "excess" bank liquidity for British debt service and Eurodollar market support turned into a sudden and severe corporate liquidity crunch.

British industries, according to this weeks Morgan Guarantee World Financial Markets Newsletter have relied on their inventories throughout the last three months, rather than import raw materials for new production. Now with inventories used up, imports must begin again.

Coupled with upcoming payment deadlines for value added and income taxes, drove corporations heavily to the money markets only to find those markets glutted by huge government issues. With the corporations crowded out, the Bank of England was forced to release the Special Deposits to avoid an immediate and catastrophic collapse. The fact that deposits were released for only three weeks underscores both the transient nature of operation and points to the chronic weakness of the collapsed British sector.

BRD: BATTLE OF BRITAIN

The banks themselves are feeling a similar corporate squeeze directly in West Germany (BRD). The Jan. 15 Handlesblatt reported