



**INTERNATIONAL MARKETS
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Monetary System Dead: Atlanticists Move to Fascism

— March 20 (IPS) — The dollar monetary system choked to death in its own wastes last week — at precisely the point when the Atlanticist financiers could fairly boast that they had succeeded in driving through their program of last resort. Now that the European economy has been pushed into bankruptcy — with European currencies devalued and living standards slashed by some 25 to 30 per cent — the steps that the Atlanticists insisted could save the dollar, the U.S. currency and its \$800 billion debt-overhang are decisively worse off than before.

Three months of intense Wall Street-directed financial warfare against Western Europe have left the Atlanticists with an open revolt against the rule of the dollar in France and Switzerland, near-revolt in West Germany, and the onset of a continent-wide mass strike. The intense currency speculation since January has destroyed the dollar system. The impact of the March 31 payments crisis will dissolve it into public bankruptcy.

Since the New York banks deliberately destroyed the value of the Italian lira at the beginning of this year, the foreign exchange markets — through which \$800 billion of goods in international trade must pass each year — have been in near continuous upheaval. At each point that another European currency took its turn in the barrel, a general run against the bankrupt U.S. dollar began. When France capitulated March 14 to pressure to devalue and announced that the French franc would be floated, virtually all available short-term funds in the European credit system, and a deciding portion of available dollars, were locked into the cycle of currency speculation. At this point all other activity in the capitalist monetary system ground to a halt. Except for the creation of a new international monetary system, this speculative strangulation of the world credit system will immediately send **productive activity** into general collapse.

Markets in Crisis

The present volume of currency speculation resembles an nth point in a "doubling system" at roulette after many consecutive losses. The requirements for currency commitments, essentially short-term loans or loan commitments on the interbank market, increases geometrically with each new commitment of funds to currency speculation. The increase of commitment of funds is motivated by sheer necessity on the part of multinational corporations, who must adjust their books in this fashion or get burned, and more significantly by the international banks, whose main source of profits this quarter will be the thin remains of their international operations.

The saturation point in the market was reached when the French floated; on Tuesday the French franc (international

not domestic) overnight interest rate touched 2,000 per cent per annum. This had nothing to do with the volume of speculation, but represented a reflex-reaction to the fact that the volume of positions against the franc demanded such a large amount of "short covering" that all available Euro-franc funds were immediately claimed to the point of driving the interest rate through the ceiling. (In a discussion with a French diplomat today, Kuhn-Loeb's chief of international operations Yves Istel said, "So the French franc overnight rate is 600 per cent. That's only 1.5 per cent a day. What's so bad about that? Talking about the international situation is like playing the horses.")

The same is true for the dollar sector, where Federal Reserve Chairman Arthur Burns has been forced to sell about \$1.1 billion in securities on behalf of foreign governments, which he compensated for by selling about \$400 million in securities from the Fed's own account, and injecting about \$700 million into the banking system in the U.S. through jugglery with the Fed's account at the Treasury and related devices. What has happened is that the entirety of the Fed's operations is designed to prevent the dollar from collapsing on the international markets, while domestic operations represent mere compensation. This has never occurred before: the tail is wagging the dog. Meanwhile interest rates on the U.S. side are swinging within a 1 per cent margin, wiping out the possibility of short-term money market activity in scale. The Eurobond market in the dollar sector, which had been running at a record pace during the first two months of this year, has suddenly flattened. The reason for this is the almost total commitment of available funds to speculative games. These funds, it must be noted, are only lent between banks, i.e., have nothing whatsoever to do with even the **apparent** profitability of the banking system. The fact that funds are churned up, i.e., apparent liquidity is created (in turns of short-term liabilities of the international banks), momentarily hides the illiquidity aspect — which is increasing at a geometric rate. On top of this, the **claims on liquidity** required by the banking system in the face of non-repayment of short-term debt due from the Third World at the end of the month increase by a geometric pace. But none of this money is lent outside the banking system, and the banking system still appears to create liquidity. As Il Fiorino pointed out today (in the case of the Italian banking system) that even though the banks were seemingly full of funds, the claims on these funds paralyzed the system and prevented productive lending from going on.

What we have, in short, is a second-order geometric function of increase of such claims. The currency markets for the moment have lulled, principally because of the Germans'

resistance. It seems clear that if the lull had not occurred the dollar would have been immediately slaughtered.

Thus, two weeks before the March 31 payments bottleneck, all liquidity is locked into the self-feeding speculation on currency markets. This time there can be no bailout; any attempt by Arthur Burns to print money to re-finance the debt-mass will merely increase the speculative demand for liquidity! At the quarterly payments deadline, the collateral for this debt, bills of exchange tied to goods in trade, will contract suddenly. At this point the debt-mass on top of actual trade will become insupportable.

Enforcing the Collapse

Far from waiting until March 31, the Atlanticists have enforced the collapse of European trade through austerity measures in Britain, Italy, and France. The combined foreign debt of these countries exceeds \$60 billion. In the past two weeks, their Atlanticist creditors have imposed the 25 to 30 per cent living standard cuts they demanded:

Italy's currency has been devalued by 25 per cent. The Moro government has increased the price of gasoline by 20 per cent and other essential products by 10 to 20 per cent, on top of the immediate 25 per cent rise in import prices due to devaluation of the lira. Premier Moro has imposed import controls on meat, petroleum, wood and other essentials.

But Italy's de facto bankruptcy is more effective at shutting off imports than controls. The Bank of Italy has no currency reserves. Earlier in the week it sold its own currency in order to obtain dollars. The government has announced measures to remove \$2 billion from the credit system, but bank lending had closed down before the measure was announced, because the Bank of Italy refuses to redeem its securities held by the banks.

After his capitulation to a devaluation of the French franc, French finance minister Fourcade yesterday announced an austerity program deliberately designed to cause a social explosion. Forcade imposed import controls by freezing the profit margins of importers of foreign goods, a measure directed principally against France's co-victims, Britain and Italy. But the Atlanticist finance minister also abolished price controls on basic industrial products which had been in place for a decade, and kept price controls at the retail level. This measure threatens to bankrupt the entire French retail industry, and is intended to throw into the gutter the future shock troops for a fascist movement. While French francs in the international market bore an interest rate of 600 to 2,000 per cent, the Finance Ministry refused to grant additional credit to domestic industries, throwing the domestic economy into an Italian-like spiral.

The picture is identical throughout Europe. British workers, now under half-disguised military rule, have taken an across-the-board cut in living standards of 25 per cent this month through price increases in food, utilities, transportation, and import goods. Belgian Prime Minister Leo Tindemans, the author of a plan for a "two-tier Europe,"

gracefully relegated his own country to the lower tier with the announcement of an austerity program to defend the Belgian franc against massive speculative attack. Sweden, Denmark, and Norway, according to New York City banking circles, are the next victims; after a week of attack against the Norwegian kroner, the Oslo government announced that it had one month's currency reserves left.

Resistance is Strong

In every European sector, the Atlanticists face a rebellion among their subjects in reaction to these measures. A turning point came on March 18, when the large West German commercial banks advised their clients to begin dumping dollars, and the run against European currencies turned into a rout of the dollar. The New York banks insist that the West Germans will act as the enforcers and financiers for austerity throughout Europe, and on this basis the dollar empire will outlast the month. On the scene, however, the West Germans decided that the dollar empire could not be held together by any means, and proceeded to liquidate their dollar holdings as rapidly as possible.

For the past six months, West German industrialists have watched the New York financiers destroy their foreign markets, first in the Third World and the Soviet Union, which can no longer obtain import financing, and now in the rest of Europe. "I know precisely what the Americans want," said a high executive at Krupp Steel last week. "The Americans have to understand that there are limits of toleration and they had better not step over them."

Meanwhile, the Swiss central bank announced that it would no longer support the dollar, but would instead let it collapse as far as necessary — an astonishing decision from the Swiss, once the strongest defenders of the U.S. currency. Swiss bankers and West German industrialists agree that the monetary situation is out of control. At least a half-dozen leading firms have expressed agreement in principal with the International Development Bank proposal of the ICLC.

The Dollar is Through

With hundreds of millions of dollars a day fleeing the dollar into Germany, the West German monetary authorities will probably upvalue the German mark on the currency markets during the next few days. But mere revaluation of the mark, comments the leading West German banking newspaper, the Frankfurter Allgemeine Zeitung, "will do nothing at all to stop the currency crisis." If West Germany further agrees to inflate its currency to pay the debts of its European partners, as the Atlanticists demand, there is a thin chance that the corpse of the dollar monetary system can avoid burial for another few weeks. If the West Germans continue their resistance — which both the banks and the U.S. State Department have noted with great trepidation — the shell of the dollar system will collapse within days.

But the Atlanticists' long battle to save the dollar has been lost irrevocably. They have nothing left but fascism and war.