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Stripped of all alternatives, a section of leading Atlanticist circles is privately if not yet publicly acknowledging that the world economy and the dollar and its institutions can no longer continue to co-exist. Sources report that several leading economists for these circles are now underinstructions to do "high—priority", "what-is-in-it-for-us" evaluations of the ICLC International Development Bank and related debt moratorium proposals.

Internecine Warfare

Some capitalists are still trying to play by the rules of the game — i.e. we all had better stick together or we'll all sink (or hang) together — only to find out the rules have already been thrown out. Internecine capitalist warfare is developing — a falling out of thieves, in which it is "every man for himself." The British authorities, according to reports, are counting on some $3 billion in U.S. Federal Reserve swap loans with which to further support the sinking pound; they already have next to nothing left in their own currency reserves.

But the Fed in Washington is ready to let the pound sink and damn the consequences.

Contrary to the realistic assessments of British need, Scott Pardee of the Federal Reserve International group told the press June 2 that swap lines from the Fed are not intended for anything but "retrievable" and short term (30 day) purposes. Pardee noted that the Organization for Economic Cooperation and Development (OECD) central banks had already spent some $21 billion during February — April support operations alone

The Fed plainly does not include the pound, the Italian lira, or any other Western European currency in the "retrievable" category. This was made plain by an officer in the Treasury's International Monetary Affairs group, who stated, "There is no line below which these currencies (the pound and the lira) cannot fall. There is no such thing as a breaking point. It is reasonable to see these currencies falling, if the Italians and British don't stop this inflation and implement appropriate economic policies, nothing will help them."

In total agreement with the sober Europeans, the New York Federal Reserve and related other realistic U.S. circles "want massive funding of the weaker currencies," according to inside sources, "otherwise, "total breakup of the Euromarket is likely." They consider Burns and Simon "crazy."

The Third World are not the only countries who need a debt moratorium a former member of the IMF's "Committee of 20" and a leading British banker said this week: "The developed countries need one too, including Britain and Italy and a little bit for France."

Britain: The Pound of Flesh

The British pound sterling fell to a low of $1.70 June 3, closing the week at $1.72 after heavy Swiss and British central bank intervention. Predictions of a $1.60 or $1.50 level by month's end abounded in the financial press.

Such a rate of collapse would force the imposition of complete currency controls modeled on the post World War II freezing of sterling deposits, according to Bank of England and Wall Street investment bank sources.

The only way to avoid this, conceded the ex-IMF Committee of 20 members, is for the government to implement the IMF's outrageous austerity proposals — proposals which are politically unacceptable to even the normally supine British.

The proposals included cuts of up to £3 billion or a 25 per cent cut in the public sector deficit and subsumed slashing of government industrial support programs and mass plant closings and layoffs in the steel, auto, and shipbuilding sectors. The current 27 per cent annual rate of growth of the money supply must be cut in half and interest rates to industry in general severely hiked.

The rejection of the government's 4.5 per cent pay increase freeze by the construction industry this week and Chancellor of the Exchequer Dennis Healey's ruling out of further budget cuts in a June 2 nationally televised speech are but two examples cited by IMF sources to show the absolute impossibility of implementing the package.

Thoroughgoing currency and capital controls are therefore inevitable. The closing out of the Euro-market dollar deposits and the shutdown of other Euro-operations will result immediately from such severe restrictions, the same IMF sources insist. In fact, the fear of such measures may trigger a "premature shutdown." Such moves would constitute a moratorium on the estimated $12 billion worth of foreign-owned sterling deposits now held in London banks.

The rush of funds out of the West German mark which began in April accelerated this week (see below) such that the Bundesbank is no longer in a position to refinance the deficits of the rest of Europe. With the U.S. Federal Reserve's emphatic refusal to do so, Italy, Denmark, and France will follow Britain into default.

In fact, Italy has already said "we can't pay" the $3 billion in foreign debt which comes due in September, $2 billion of which is owed to the Bundesbank. Handelsblatt and Il Fiorino the West German and Italian financial papers reported on June 4. The papers went on to indicate that the West Germans "understand" Italy's position and are discussing postponement. IMF sources indicated commercial Italian debt might be included in what would essentially be a moratorium, since it would be politically impossible to impose further austerity conditions on the country.

The IMF Gold Sale

The IMF June 2 gold auction marked a nodal point in the ongoing collapse of currencies. Bids for three times the amount of gold up for sale were received. The Bank for International Settlements (BIS) bought 20.8 per cent of the amount offered on behalf of European central banks, while the Union Bank of Switzerland bought 22.9 per cent largely on behalf of Mideast customers. A large bloc was purchased by the USSR and Yugoslavia.

The next day, the Fed and Bundesbank had to intervene heavily to support their currencies as a mass exodus of funds

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took place from the deutschemark, dollar and along with the pound into Swiss francs (which rose to a record high) and then closed lower following Swiss central bank intervention.)

"Swiss is a synonym for gold, that's why people are buying it," admitted even the zealously anti-gold director of the international group at a top Wall Street investment bank.

Gold has been virtually totally remonitized by the sale, and any severe turbulence such as Euromarket tremors could provoke mass European dumping of dollars, marks, etc. for gold itself as proposed last month by former French finance minister and leading Gaullist Michel Jobert. "If I were a central banker, I would certainly want MY reserves in gold now," a West German bank branch officer in New York told NSIPS yesterday.

The IMF "dump gold" option to demonetize the metal has been eliminated. by the sale and its aftermath. The old U.S. Treasury threat to dump gold if a run on the dollar began has also been eliminated. Thomas J. Holt, the respected foreign exchange analyst, was quick to point out to Journal of Commerce reporters "It is highly unlikely the U.S. Treasury will announce future gold auctions... (since) the U.S. gold would wind up in European central bank vaults."

Italy: Model for Destruction

The fascist economic onslaught which the Rockefeller faction hopes to unleash as "Rambouillet Two" summit is already underway in Italy. While NATO's senior economic statesman, Bank of Italy ex-governor Guido Carli, prompted from the wings, bank governor Paolo Baffi this week demanded the immediate dismantling of nearly half of Italian public sector industry. Predicting a government budget deficit almost double last year's, Baffi demanded a Bank of Italy financial dictatorship over Italy above the parliament and the Italian constitution, including a veto power over public spending.

Under present Italian law, the Bank of Italy is compelled now to finance all expenditures voted by parliament: Baffi demanded central bank "autonomy" to refuse this financing. In addition, the NATO puppet proposed elimination of cost-of-living escalators to provide cash to meet foreign debt payments. An Italian gold sale, opposed by every previous Italian government, would eliminate the country's "escape hatch" from its $16 million foreign debt.

Italian Communist Party "economist" Eugenio Peggio endorsed the Baffi plan as "revolutionary," suggesting only one change: he substituted the Brazilian wage indexing scheme which ties cost-of-living escalators to productivity.

The pace of economic breakdown in Italy has roughly doubled since the international banks forced an austerity policy on the country in late January. Wholesale price inflation is now running at an annual rate of 62.4 per cent compared to last year's annual rate of 20 per cent. The Bank of Italy projects a government deficit this year of $10 billion, almost double the previous year's.

Meanwhile, the foreign exchange controls slapped down by the Bank of Italy last month under IMF orders are putting a severe financial squeeze on the Italian oil and chemical industry, controlled by the anti-Atlanticist Cefis grouping. Under the controls, every time a company imports goods it must deposit 50 per cent of the cost of the contract in non-interest bearing deposit at the central bank in advance; the same goes for exporters, which must deposit 30 per cent of their expected export earning. In order to meet these deposit requirements, corporations must borrow the funds at double-digit interest rates. As a result, the chemical industry will lose $110 million a year in interest charges on its import account; $30 million on its export account. The oil industry is expected to lose a total of $180 million.

The Rise and Fall of the Deutchmark

The West German Deutschemark can no longer act the deficit financier of the last resort for Europe — since its account is itself in deficit. The government announced a DM 1.5 billion balance of payments deficit for April, after a DM 9.7 billion surplus in the first quarter — DM 7.8 billion of which came in March. This is no short term fluke. The DM 2.6 billion in hot money which fled the country in April went straight into golden Swiss francs.

Long-term confidence in the deutschemark's stability is the issue — the once invincible deutschemark is simply now as inflated as the rest of Western Europe's currencies. The Bundesbank printed up some DM 12 billion in long-term trade credits in 1975 as part of an estimated DM 200 million in deutschemark-denominated export credits. To this was added some DM 10 billion in deutschemark loans to European central banks in 1976 to support those currencies. The countries were then able to use their reserves to pay dollar debt to the New York banks. A DM 60 billion Euromark market has been created by this process. It is made up mainly of deposits in Luxembourg banks outside of Bundesbank control, and subject to typical Euromarket multiplier effects. The size of this market equals more than one-third again of West Germany's M1 money supply.

The German economic recovery on which the deutschemark expansion was based is simultaneously evaporating. Exports in April actually fell 9 per cent from the previous month for the first time since the export blitz of last summer. Overall industrial orders in April fell a full 4 per cent domestically. Coupled with a 5 per cent drop in foreign orders, this produced a 1.5 per cent drop. The Machinery Producers Association, spokesmen for the capital goods industry, announced June 2 that new orders for January-April are running less than half of those in 1975 at annualized rates. 1975 was a year in which capital investment spending plumeted.

Domestic industry, in particular, is being squeezed. The initial confidence crisis is reducing market demand for deutschemarks, flooding and further inflating the deutschemark banking system, and thereby forcing the Bundesbank to tighten credit. This in turn, shuts corporations off from the credit markets, stopping production. The production decline causes deutschemark dumping to accelerate. Following an August through December 23 per cent annual rate of expansion of M1, the Bundesbank cut back to 2.4 per cent annualized growth over the first quarter. This produced an actual decline of DM 1.3 billion during April. After a DM 22