European Payments Crisis Triggers Drive to Shut Down Euro-Dollar Markets

July 10 (NSIPS) — European bankers and industrialists took steps this week to shut down the cancerous growth of paper known as the "Eurodollar market" before the Euromarket shuts them down. According to the July 8 Journal of Commerce, European central bankers will debate whether to clamp controls on this hyperinflationary monster at their July 13 meeting in Basel, Switzerland. The central bankers of West Germany, France and Italy all favor some form of Euromarket regulation, the Journal reports; only Britain, the U.S. Atlanticist's junior partner, and Luxembourg, the land-locked "Cayman Islands" of Western Europe, are putting up any strong resistance.

But even Britain is likely to bolt the Atlanticists' camp shortly. A recent issue of the London Economist glumly admits that Britain's role as an international banking center is fading fast, since "the country might be forced to welsh on its international financial obligations...by freezing sterling balances to prevent a run on the pound. Or by failing to make capital repayments on foreign currency debt." A British debt moratorium, an "option" which some London banking circles have been seriously considering in recent weeks, could bring down the entire Eurocurrency market within a matter of hours.

The Eurodollar makret is the Atlanticists' own institute for financing bankrupt corporations and countries. Through a deliberate policy of hyperinflation, member banks deposit funds overseas not hindered by reserve requirements. As the multiplier effect takes hold, original deposits grow exponentially, creating money to keep Lower Manhattan afloat. Without a stitch of real wealth to back it up, the Eurodollar market is only so much speculative fluff which smothers production.

West Germany Up In Arms

Behind renewed European motion to replace the Eurodollar markets with a sane international monetary order is a serious international payments crisis affecting West Germany, France, Britain, Denmark, Italy and Spain. West German capitalists are up in arms against the "Dollar-Deutschemark Axis," which has forced them to run balance of payments deficits for two months to divert pressure from the bankrupt dollar and bailout the dollar's European debtors. In May, West Germany ran a 2.1 billion deutschemark (equivalent to $800 million) payments deficit based on huge trade credits which West German industrialists have been supplying their European and Third World customers in an effort to stave off a collapse of their exports. But the West Germans cannot sustain such a payments drain for long before they themselves go bankrupt, compelling even the most hardened German Atlanticist to demand a new monetary system.

Complaining bitterly that last month's Puerto Rican economic summit had only served to strenghten the "Dollar Empire," Deutsche Zeitung correspondent Arthur Wannemacher opened an unusually vicious attack on the Eurodollar cancer in his July 8 column: "Those who invested in the last 10 days in the $130 billion foreign indebtedness of the U.S. (the Eurodollar market - ed.) have no other choice than to enjoy patiently interest payments on paper, without thinking about where this debt accumulation might lead to in the end."

Giscard Under Fire

In an explosive front-page article in Le Monde this week, Gaullist economist Paul Fabra revealed that the only thing preventing the total collapse of the French franc has been massive borrowing by government agencies on the Eurocurrency markets rivaling government borrowing during France's last major payments crisis in 1974. Since September, the French have borrowed nearly $3 billion, which was channeled directly into support of the French currency.

New York banking sources report that French industrialists have Atlanticist Giscard D'Estaing's government over a barrel, preventing him from implementing the deflationary credit policies threatened earlier this year. Giscard, in turn, has gone straight to the New York banks, pleading political bankruptcy, and getting the loans he needs. Nevertheless, Lower Manhattan predicts that, by the end of the summer, France's payments deficit will balloon out of control; the suspicious, Europe-wide drought is destroying French agricultural exports and could force France to import food.

De Facto Danish Default

Denmark, the "Italy" of Northern Europe, will not be able to meet its 2 billion kroners in short-term debt obligations due this month to the West German central bank, according to the West German industrialists' press Handelsblatt. This debt, equivalent to $320 million, has already been rescheduled from its April payments deadline, but will be rolled over again — Danish foreign currency reserves have been drained to a mere 4.8 billion kroner. The West German financial daily Handelsblatt anxiously discusses reports of a planned devaluation of the Danish currency, arguing that such austerity measures are not politically feasible. Denmark is borrowing heavily in the Euromarkets, despite the fact that its total foreign debt obligations are already 14 per cent of its Gross National Product.

The British and Italian debt crises are also on a short fuse, despite all efforts to stabilize. The British pound came under heavy speculative attack late last week following reports that the British Central Bank has already spent $1.5 billion of a $5.3 billion "emergency" loan it received last month to support the pound. At this rate, the British will use up the loan proceeds in another 2.5 months!

Italy, it is widely recognized, will require an international bail-out of up to $10 billion before the end of the summer to meet its debt obligations and cover minimal import requirements. Italian industrialists are demanding the removal of draconian import controls which have caused prices to soar by 5 per cent a month and have created shortages of food, fuel and raw materials necessary for production. Rockefeller's banks are applying pressure to extend such controls indefinitely.

There is only one country bailed out by the Atlanticists with any certainty that the demanded austerity conditions will be implemented. Last week, New York banks put the finishing touches on a $1 billion Eurodollar loan to Spain and are planning further credits, explicitly tied to slave labor projects.

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