

funds will take place to safer regional banks during the last week of September. In turn, United Nations offices have been flooded with calls from regional bankers about the timing for a unilateral debt moratorium by Third World countries during the current General Assembly.

Despite the series of insipid statements from Federal Reserve officials claiming that there is no danger of debt moratorium, Federal Reserve spokesmen in Washington, D.C. privately admit they are preparing for the worst. "We don't rule anything out at this point," one official said. "Anything could happen." Earlier in the week, Fed Governor Henry C. Wallich told the Los Angeles Times that there was no longer any danger of Third

World debt repudiation, as there had been earlier this year.

But all these last-minute preparations are useless in the face of the political collapse of Wall Street's debt-collection machine. The Eurodollar market has been bankrupt for more than a year, when the commodity-speculation bubble in Third World exports collapsed. At least twenty countries have already stopped paying debts because they are utterly bankrupt. The Eurodollar market has survived the last year through a series of hyperinflationary bailouts of the big Eurodollar debts. Now even West Germany will no longer accept the dollar hyperinflation, and has turned off the intravenous system that kept the monster alive. The political props to the Eurodollar swindle have been kicked out. One sharp push will bring it down.

## Bankers Respond To Debt Moratorium Threat

*The following interviews and statements were obtained this week by NSIPS from our correspondents and sources in the financial community both here and in Europe.*

### OFFICIAL AT EUROPEAN DEPT. OF IMF SECRETARIAT

**NSIPS:** Isn't true that West German Finance Minister Hans Apel's statement yesterday about curtailing IMF liquidity creation means he is opposing new IMF credits to Britain, Italy, and the Third World?

**A:** Yes. But I don't think he will have any choice — if the IMF keeps creating money, and money flows into Germany, then the Germans will have no choice but to let the deutschemark appreciate.

**NSIPS:** Well, I think Mr. Apel was referring to precisely this inflationary effect on the German economy, and which German industrialists are demanding be halted. Isn't Apel talking about the idea of a new IMF refinancing facility for Third World debt?

**A:** Yes, it's very likely that the upcoming IMF annual con-will discuss such a new facility for the IMF to co-finance debt refinancing along with the commercial banks. The Germans are very upset about this — Apel was taking a shot in advance.

### J.J. POLLACK, SENIOR ECONOMIC COUNSELOR TO IMF

**NSIPS:** What is your reaction to West German Finance Minister Hans Apel's statement about curtailing IMF liquidity creation?

**Pollack:** Mr. Apel wants no new financing and there may indeed be no serious discussion of this at the IMF conference. But in event, Mexico is an example of what we have in mind (the IMF has just floated a rollover loan to Mexico — ed.). And Brazil. This is how we intend to work — in spite of what Mr. Apel and the rest may say about liquidity creation.

### ROBERT ROOSA, PARTNER BROWN BROTHERS, HARRIMAN

**Journalist:** The latest Amex (American Express Bank, London on whose board Roosa sits — ed.) letter appears to reflect a great deal of concern over the debt question — the huge outstanding debts of the less developed countries and of advanced sector countries like Britain.

**Roosa:** I'm very concerned about the situation. I have my own assistant working on the problem preparatory to the Manila meeting. We want to deal with the situation without being alarmist. (Roosa then denied that anything at all would come out of the UN general Assembly Session.)

**Journalist:** The Europeans appear to be splitting from the U.S. on critical policy matters. Take (West German Finance

Minister) Apel's statement earlier this week — he's saying that the IMF shouldn't create further liquidity to roll over debts.

**Roosa:** Apel's statement was a little grisly. We don't know whether he's going to be in office in two weeks...the West German elections are coming up, you know....

### SPOKESMAN FOR U.S. TREASURY

**NSIPS:** Would the U. S. join the rumored new IMF co-financing facility to rollover Third World commercial debt with the private banks?

**A:** That's ridiculous. We couldn't do it politically and we wouldn't want to. That would be the public sector bailing out the private sector.

### SPOKESMAN FOR NEW YORK FEDERAL RESERVE BANK

**NSIPS:** What do you propose to do to handle the debt moratorium declaration next week at the United Nations General Assembly?

**A:** Look, I don't agree with all your premises, but anything could happen...Yes, a monetary collapse cannot be ruled out. So, at this point, what do you expect us to do?

### SPOKESMAN FOR N.Y. STOCK BROKERAGE HOUSE

**NSIPS:** We have confirmed with high-level Foreign Ministry sources of several governments that Third World nations will unilaterally declare debt moratoria this Monday at the United Nations.

**A:** Oh boy! That's a real shocker. I mean it's that close huh? You know, we have been seeing it coming for sometime...You know the last time you told me about it, I went and talked to all kinds of people here, and my friends at the clearing house banks — and you're right about it. They know it's going to hit them one of these days. Listen, please keep me informed on this business and I'll tell you all you want to know about the international money markets. OK? ...One indication I know about is that most Third World countries are now insisting that all new loans and rollovers of old credits be done under their laws. In other words, they want their own laws to apply to new debts. Colombia is a case in point. The government has banned all debt except under Colombian law.

### NEW YORK INVESTMENT BANKER ASSOCIATED WITH LAZARD FRERES

**Q:** What is your response to the Third World plans for an announcement of unilateral debt moratorium next week?

**A:** We've been expecting something like this for a while. I'm not surprised. I was just talking to — at — Bank and their reading is that trouble has come up in Europe, the Europeans are going to do something with the Third World.

**Q:** What precautions are you taking?

**A:** We don't have to take any. We've taken all the precautions necessary. We don't have any holdings left in the New York banks. We've gone into regional banks.

**Q:** Which ones?

**A:** Oh, Republic of Dallas, Mellon Bank, Northwest Trust in Minneapolis. These banks don't have the kind of foreign exposure New York does. Republic has some, but Northwest, the most they might have is a few grain financings.

**Q:** But Lazard used to be Chase's investment banker.

**A:** Not any more.

**HAROLD VAN CLEVELAND, CHIEF  
OF INT'L ECONOMICS AT CITIBANK**

**NSIPS:** Mr. Cleveland, what are Citibank's plans in the event of a declaration of debt moratorium on a unilateral basis by the Third World countries, which according to our sources will occur during the current United Nations General Assembly.

**Cleveland:** We have no preparations and no plans. We just don't believe it will happen. These countries would never get any money again. They won't slit their own throats.

**NSIPS:** We understand that Italy is ready to support a number of Third World nations who are already planning such an announcement for Monday. Investors have already begun to pull out of New York banks.

**Cleveland:** Do you really think they'll do it? Which countries? Who? Who?

**NSIPS:** Well, some Caribbean nations and a number of others, who are consulting with Italy.

**Cleveland:** No, it's not possible. They won't do it. They can't.

**NSIPS:** Are we to understand that you are not prepared at all?

**Cleveland:** I answered your question. It won't happen, that's all....

**DIRECTOR OF INTERNATIONAL OPERATIONS  
AT AMAX (AMERICAN METAL CLIMAX)**

**NSIPS:** What are your plans in the event of a declaration of debt moratorium on a unilateral basis by Third World countries, reportedly during the current United Nations General Assembly session.

**AMAX:** Why should I talk to you about this? What does the U.S. Labor Party really do?

**NSIPS:** The Labor Party has been coordinating this from the beginning with the Third World.

**AMAX:** Forget it. I know about this already. There aren't more than 20 countries and \$5 billion involved in it. We can handle it. What are you really after?

**NSIPS:** We want to safeguard the bulk of U.S. industry and banking from the resultant Euromarket collapse. You should really reconsider the question we are...

**AMAX:** Are you threatening me?!

**NSIPS:** Of course not, sir. But you seem nervous, as if you may have seen today's Washington Post and know...

**AMAX:** I don't have time for this....

## Sterling Takes Its Turn In Eurodollar Collapse

Sept. 21 (NSIPS) — The panicky run out of the British pound raced ahead this week, sending the pound to a new historic low today and wreaking havoc with British credit markets. Two days ago, the pound slipped to \$1.71 from \$1.78 ten days ago, and bankers expect it to go straight down the pipe. British "gilt-edged" government securities — once esteemed as the safest investment in the world — cannot be sold now except at Third World interest rates. The British buffer currency, which served as a shock-absorber for the dollar in the past, is now dragging the bankrupt Eurodollar down with it.

For weeks the British have been paying their bills at home by buying up British pounds dumped on the international market — with borrowed dollars. The \$5.3 billion loan the British received from the U.S. and West Germany is almost dried up. Now the IMF cannot provide more credit to keep Britain — or Denmark, Italy, or West Germany — afloat. As frightened New York Federal Reserve officials admitted yesterday, the collapse of the pound is the lurid writing on the wall that the International Monetary Fund, the centerpiece of the dollar empire, is bankrupt. With the Atlantic alliance that formed the IMF splintered, the entire refinancing operation that has kept the Eurodollar swindle is through.

### Britain Tries to Catch Its Tail

Fueling the run on the pound is the huge government deficit which has forced the Bank of England to monetize ever larger portions of the government debt, producing an explosive 16 per

cent annual rate of money supply growth. The British Treasury's borrowing requirement this year is staggering — almost equalling the present size of the (narrowly defined) British money supply, the Financial Times reports.

Moreover, every downward-ratchet of the pound compounds the crisis; it becomes increasingly difficult to market government debt since investors anticipate more inflation and another rise in interest rates. The Bank of England is then forced to buy up (monetize) the unsaleable government securities — using last June's \$5.3 billion loan. These funds are then injected back into the money supply creating still more inflation, and leading to another pound collapse, in an endless vicious circle!

As a result, the government bond market utterly collapsed in August, forcing the Treasury to borrow directly from the banks a huge sum of 878 million pounds. This week, the Treasury was forced to announce a 600 million pound (\$1.03 billion) bond issue at an effective yield of 18 per cent — the highest rate ever reached by British "gilts."

There is no end in sight for the pound decline, foreign exchange traders say; the Bank of England is making only the feeblest efforts to support the currency, since the \$5.3 billion loan is running out fast. The collapse in U.S. interest rates — a direct result of the failure of the U.S. recovery — is attracting funds away from the dollar, worsening its already miserable plight.