

would be inflationary and would further weaken the dollar vis-a-vis gold and some European currencies. With the energy projects stalled, no matter where the petrodollars go, the net effect will be a weaker U.S. dollar. If this trend were to continue for a few weeks, the international monetary system, which is based on the purchasing power of the U.S. dollar, would collapse, plunging the world into catastrophe.

BANKERS' NIGHTMARE: BOOM OR BUST

Dec. 24 (IPS)--The top echelon New York banking community is anxiously trying to decide which is the worse nightmare: an inflationary spiral or a deflationary collapse.

These gentlemen know that any possible benefits of either reflation or deflation are far outweighed by the obviously disastrous effects that either will inevitably have. Their state of mind was summed up by one bond trader who, when asked if he saw any way between Scylla and Charybdis, replied, "I'm not smart enough to know."

The question facing the banks is whether to go on financing the massive debts of corporations and government at a time when orders, production--the whole real economic process--is at a standstill. Printing more paper to refinance the debts would be wildly inflationary. Yet without those pieces of paper, there will be a chain reaction of bankruptcies.

In January, U.S. corporations will be coming to the market to sell around \$3.7 billion in bonds. They are rushing to sell their debt to meet immediate cash needs, as well as to turn short-term bank loans into longer-term obligations. But where will all the money come from?--especially since the U.S. Treasury will also be coming to the market to finance its gigantic budget deficit.

"I don't know where the money's going to come from" is the frequent response of corporate bond traders. Life insurance companies, bank trust departments, and pension funds will continue to be customers for corporate bonds, with the latter expected to be "seasonally" active. This January, however, their money will not be enough to hold up the market. Corporate bond traders expect money to stay very tight and rates very high. "Pump priming" is the only solution, but they admit it is no solution at all; it will only blow up the economy with more worthless dollars.

Henry Kaufman, partner of Saloman Brothers, an important investment house, represents the other pole of opinion. He is less worried about corporate and government financing needs, believing that they can be met. For him the real nightmare is an

expansionary course. A tax cut, for example, would simply aggravate inflation, leaving more money in peoples' pockets without increasing the production of the things they buy.

The only long-term solution would be a "Federal National Development Bank," according to Kaufman. Kaufman called "inadequate" the recent proposal by a partner of Rockefeller-controlled Lazard Freres, another top investment bank, for a new Reconstruction Finance Corporation which would merely bail out bankrupt businesses. Kaufman's proposed bank would help finance "sorely needed new capital investments that are beyond the capacity of individual companies." Such an institution would finance energy projects and enlarged food production in the U.S., as well as government and private research investment institutions. The starting up of production that Kaufman has in mind is not an actual expansion of social reproduction, but labor-intensive fascist "redevelopment." But with the push for redevelopment projects presently stalled, the capitalists are left trying to choose between hyperinflation and deflationary bust.

The Rockefellers have not yet committed themselves to either "critical choice." Instead, as leading Rockefeller operative George Ball told IPS Dec. 20, different trial balloons are being sent up to see if any of them float. So far, none have.

ROCKEFELLER FACES "CRITICAL CHOICES" ON ECONOMY

Dec. 24 (IPS)--For the last two weeks, leading economic planners for the Rockefeller financier faction have found themselves in a "controlled aversive environment." Their press and private statements show that the parameters of this environment are being set more and more by the actions of the Soviet Union, the Communist Parties of Western Europe, and the International Caucus of Labor Committees, who have blunted the Rockefeller family's "world development" offensive.

The world of international finance has become a game of snakes and ladders where every step forward means a tumble into a nest of new and more serious problems.

From the standpoint of Rockefeller's development specialists, there are too many petrodollars washing about the Persian Gulf and backing up into the stagnant international capital markets. There are no large loans to be made for slave-labor projects, since the slaves haven't shown up for work yet. If there were, there is still no centralized financial institution able to handle this mass of short-term capital. In the Eurocurrency market, where half of the \$185 billion market volume is tied up in overnight to 30 days' lending between banks, this "excess" could wreck the entire payments mechanism between banks, tumbling them like dominoes.