PANIC HITS U.S. AS ALL THE BANDAIDS BUST

On the fourth anniversary of the August 15, 1971 collapse of the Bretton Woods monetary system, all the band-aid arrangements patched together to stall a complete shutdown of credit, trade, and production have shattered, condemning the Rockefeller dollar empire to the worst crisis in capitalist history.

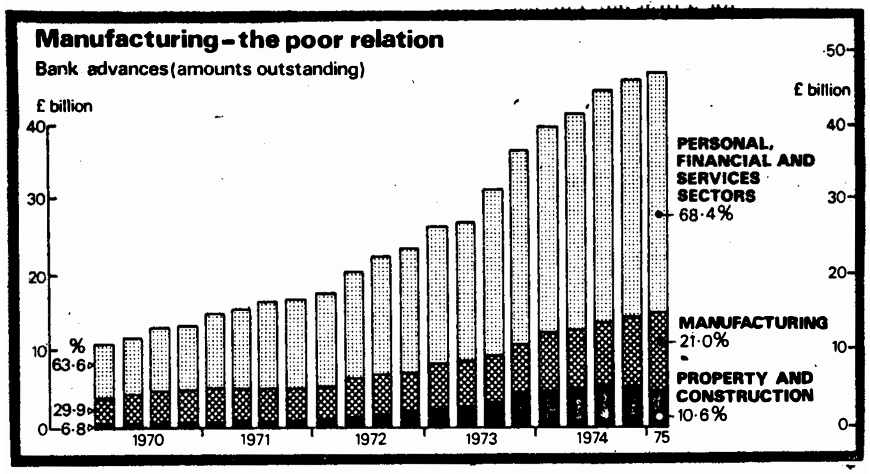
In the United States, the home ground of the international dollar empire, open panic has broken out on the credit markets. The government bond market in which the creditor of last resort—the Treasury Department—raises cash to pay its own mountainous bills, has suffered its biggest plunge in any two-week period in United States history. Interest rates on short-term Treasury notes, normally the safe haven of all investments, have ballooned to near record levels and still, according to one hysterical bond dealer, "no one is buying" but dealers themselves.

Gripped by inflation fears, escalating interest rates, and debt payment pressures, investors have pulled billions of dollars out of all but the most short-term, liquid debt instruments. In the past week over $1 billion in such funds poured into seven to 14 day commercial paper, in preference to even three-month Treasury notes! In tandem, struck by a loss of confidence in an economy whose guts are being destroyed, foreign investors liquidated more than $0.5 billion in Treasury securities over this same five-day period.

In the midst of this panic environment the cash-depleted Treasury has scheduled to sell $6 billion in mostly four-year notes, a record one week amount that will be joined with over $1 billion in Federal Agency issues.

The collapse of the government market, meanwhile, has spilled over into the corporate, stock and mortgage markets—the last remaining markets in which it is possible to finance normal capitalist production cycle. In the last ten days, the capitalized value of bonded corporate debt instruments has dropped by 3 per cent. In addition, at least 5 major corporations have cancelled bond offerings including a $150 million bond offer by Morgan Guaranty, a bank which has dominated that market for the past 40 years.

The shutdown of the U.S. credit markets, meanwhile, has raised the spectre of an immediate chain-reaction of bankruptcies. New York City, one of the world's largest financial entities, is rapidly edging toward default, "Default," the New York Times can no longer conceal, "is now an imminent prospect."



The Economist, the London financial weekly, recently published these statistics indicating the amount of credit that is sucked away from productive activity for Great Britain alone. This process is strangling production internationally.

The anticipation of this development has already broken the back of the nation's municipal bond market. In the last few days, the "moral obligation" of state and local agencies not backed by the full faith and credit of government have gone up in smoke. The Massachusetts Housing Finance Agency, the New York State Financing Agency, the Chicago School District, and the Buffalo Sewage Department among scores of other agencies throughout the nation have been shut out of the market, provoking defaults on their own short-term debt obligations.

In turn, the Rockefeller banking system, already close to the breaking point by a portfolio which contains 50 per cent bad loans, verged steps closer to detonation point by a new battering of defaults. The entire airlines industry is on the brink of bankruptcy, the New York Times disclosed this week, threatening $15 billion in securities held by a group of banks and insurance companies. The illiquidity crisis in the airline industry and New York City alone collectively represent about $30 billion in worthless loans that must remain on the book—or 5 per cent of the total banking assets in these two categories alone!

In its frantic attempt to build reserves against these bad loans the New York money market banks have stopped lending for production, the only means by which they can expect to be repaid. For six straight weeks loans to industry and commerce have plunged, climaxing in a $0.25 billion drop in the most recent week.

Against this declared war on production, mounting evidence has accumulated that a full-scale collapse of production from current depression levels is at hand. June business inventory figures released this week by the Commerce Department show that stocks at the wholesale and retail level have once again accumulated as consumers have stopped buying in the face of escalating prices.

The very tight monetary policies that the Rockefeller financial machine has implemented since early June to reroute all available funds from production to debt-refinancing has so destroyed the internal fabric of the U.S. economy—that there is now widespread, international distrust in the dollar.

Over the last several days, despite the much higher interest yields on dollar-denominated investments, a wave of dollar selling has weakened that currency against all major European currencies including the rotten British pound. With the Rockefeller financiers having to choose between the most severe breakdown crisis in history and a hyperinflationary course that will instantly generate 40 per cent inflation rates, the present weakening of the dollar will inevitably erupt into a full-scale run on the dollar that will make August 15, 1971 appear a rather mild affair in capitalist history.