NEW SOLIDARITY
International Press Service

P.O. Box 1972, G.P.O.
New York, New York 10001
Editorial (212)279-5950
Customer Service (212)564-8529

Financial Newsletter

INTERNATIONAL MARKET NEWS

Financiers Must Accept T-Ruble or Incineration with Their Paper

by Ali Baz

Dec. 21 (IPS) — Events over the past 48 hours have radically altered the time parameters within which members of the financial community worldwide must make the most important decision of their lives. Either they decide to fully integrate themselves into an imminent transfer-ruble-based world economy or they will face a Rockefeller-provoked thermonuclear incineration of themselves, their loved ones and their property titles.

There should no longer be any doubt among leading capitalist circles about the Comecon sector's willingness to use the transfer ruble as the new international reserve currency. Even as the Third World was demanding, at this week's Paris North-South talks, full Comecon participation in the emerging New World Economic Order, the New York Times revealed that the Soviets themselves had pushed for East Bloc participation as far back as last February. The press accounts indicate that only the intervention of U.S. Secretary of State Henry Kissinger and his Atlanticist ally French President Giscard d'Estaing prevented this participation from taking place. The Soviet leadership reiterated their determination to push ahead on this front when in an article in the official Soviet Party daily, Pravda, they declared: "Measures are now planned to push the Soviet Union into far-reaching participation in the international division of labor."

Equally clear is the Soviet resolve to hold to this economic offensive — regardless of nuclear blackmail threats. As recognized and stated by former Under Secretary of Defense Paul Nitze and others, any effort to push the Soviets to the wall on this will result in a pre-emptive Soviet nuclear first strike and a likely Soviet victory.

Equally foolish and dangerous is the viewpoint enunciated recently by former New York Governor W. Averill Harriman and Trilateral Commission economists who envisage a "Third Way" out of the crisis — through commitment to vigorous U.S. recovery while maintaining the present bankrupt dollar-denominated debt structure.

Current depressed levels of production and employment make a debt-"Götterdämerung" inevitable by the March rollover period. Any attempt to break out of the depression under the present monetary system will therefore collapse the dollar. Despite the militarization of international finance that has taken place since May, 1975, the major reason the dollar hasn't collapsed already is the deliberate gutting of worldwide production and trade. The militarization of world markets has only been effective in the context of vastly-reduced international capital flows.

An analysis of the most recent U.S. balance of payments figures by New York's Morgan Guaranty Trust clearly indicates that the current "strength" of the dollar (which has halved its trade-weighted depreciation in the period since President Ford caved in on New York City bailout) is premised entirely on the enforced collapse of the U.S. economy principally, and the world economy generally. The dramatic 24 per cent plunge in the volume of U.S. imports over the third quarter, 1975, along with the price increases on U.S. exports (U.S. exporters increased prices faster than others to compensate for cheaper relative U.S. export prices after the dollar depreciated strongly) and the $1 billion jump in agricultural exports, produced a combined 18 per cent "swing" — roughly $15 billion — in the U.S. balance of payments on trade account. This does not even include a large part of the $14 billion in U.S. military exports. This reversal of capital flows resulting from the swing in the U.S. balance of payments to a surplus is what has permitted all credit facilities to go toward credit-refinancing.

In other words, since the dollar is the source of world credit, a reversal of the chronic U.S. balance of payments deficit situation achieved through the contraction of the entire world economy, has been the principal source of keeping the dollar-based credit structures from going under.

As the recently-released Kidder, Peabody estimates indicate, even a moderate "recovery" in the U.S. will boost just the corporate sector's need for new capital by $51 billion. The banks have publicly conceded that they are in no position to undertake such financing.

Additionally, the accompanying demand for raw materials would boost prices of commodities that have been depressed over the last year. The concomitant demand for trade financing to circulate these goods will wreak havoc with the international credit markets.

The U.S. recovery would thus quickly wipe out the current U.S. balance of payments surplus while dumping masses of unwanted U.S. dollars on the Eurodollar market, leading to total collapse of the dollar.

Under current circumstances there would be little that Western European and Japanese central banks could do to stop the dollar's slide. A recently released report from the OECD concludes that the combined deficit of Western Europe and Japan will triple to some $18 billion next year should they go for a moderate 3-5 per cent recovery.

In the face of such sobering figures, any sane capitalist must now be prepared to swallow a bitter pill: the acceptance of orderly generalized international debt moratoria and the creation of a new non-dollar based monetary system is the precondition for reopening of factories in the West and the subsequent restarting of international trade. Such a policy will enable capitalists to "cut short their losses," while avoiding the risks of total collapse and nuclear annihilation inherent in alternative proposals for a dollar-based "recovery."

The sooner financiers accept this and begin integrating themselves within a transfer-ruble-based economy, the better their chances for reaping the returns from the unprecedented "boom" of the era of the New World Economic Order.

Capitalists Move Against Dollar; Gold is Way to New World Order

by Ali Baz

NEW YORK, Dec. 24 (IPS) — Anti-Rockefeller industrialists and financiers in both Western Europe and the U.S. Midwest this week began a coordinated effort to dump the U.S. dollar and move into gold. Interviews with spokesmen for these interests both here and abroad have confirmed that they intend to seize upon a Dec. 19 agreement to sell gold by the International Monetary Fund's Group of Ten industrialized countries to get out of the dollar and set up a gold-backed European currency bloc. The influential American daily Journal of Commerce yesterday noted correctly that such a move would quickly destroy the "hegemony" of the inflated dollar worldwide.

The move to gold is a conscious transitional step toward a New World Economic Order. The replacement of the dollar by a gold-backed currency system in Europe will bankrupt Rockefeller's New York banks and thus give Rockefeller's U.S. opposition the opportunity to enter into direct trade and credit negotiations with Europe, Japan, the East bloc and the Third World, unencumbered by Rockefeller's dollar debt. This purpose to the gold shift was underscored this week by French Gaullist, Swiss banking and Midwest financial sources, all of whom immediately followed the Dec. 19 agreement with strong public statements in support of the Third World's demand for a New World Economic Order at the on-going North-South economic conference.

Ironically, the Group of Ten's gold agreement had been rammed through by the U.S. Treasury as a means to prop up dollar-based debt repayment. The agreement allowed the IMF to sell one-sixth of its gold reserves (25 million ounces) over the next four years — with profits from the sale going into a trust fund to be used in refinancing the dollar-denominated debts of the poorest Third World countries — and to return another one-sixth of the IMF's gold to its original donors. Most significantly, the agreement also allows the Bank for International Settlements (BIS) to act as an intermediary, buying gold at the market price on behalf of European central banks — and thereby bypassing legal constraints in the IMF charter barring central banks from purchasing the metal at anything other than the low, official price of $42 per ounce.

From Rockefeller's point of view, this arrangement would ensure that European central banks — which were expected to buy the gold with their domestic currencies — would free up their dollar reserves for use in supporting debt rollover demands on the Eurodollar market. The market price of gold would be depressed due to the huge sales, according to Rockefeller's plan, and the IMF's gold could be used to refinance the Third World's debts to Rocky's banks.

"Gentlemen's Agreement" Collapses

However, the last five days have confirmed that the nine non-U.S. representatives at the Group of Ten meeting had an entirely different purpose in signing the agreement. The same day as the accord was signed, the price of metal shot up by ten dollars an ounce on the Chicago market, triggering speculative inflows into gold from dollar holdings — **not** from the European currency reserves. The price on U.S. markets has continued to rise since Friday, reflecting traders' assumption that the more gold put on the market, the more dollars would be dumped for it. The dollar itself has depreciated dramatically since Dec. 19, despite coordinated action by the New York banks to virtually shut down the foreign exchange markets.

French Finance Minister Jean-Pierre Fourcade fueled speculation by announcing to the press, as soon as the accord in Paris had been reached, that his country's central bank would begin acquiring gold the IMF will put on sale as soon as the full IMF membership confirms the Group of Ten agreement at its meeting next month in Jamaica.

A European Executive Director of the IMF has told IPS that there is nothing more than a "gentlemen's agreement" between the Ten restricting central bank purchases of gold. With the last five days actions, it is clear that the gentlemen of the Western European nations are probably not to be held to that agreement. The same IMF source has noted that the Executive Board of the Fund has been in extraordinary sessions lasting late into the night in an effort to come up with some way of annulling the accord. Evidence of a complete European shift to gold has prompted the Journal of Commerce, the leading U.S. trade daily, to state in a lead article yesterday that the gold accord will mean the destruction of the dollar's "hegemony," and bluntly predicted a gold-pegged dollar in the not-too-distant future.

Panic at Rockefeller's financial bureaucracy at the IMF also reflects the knowledge that the shift to gold is a conscious transitional step to the "New World Economic Order" which will replace Rocky's debt-collection apparatus completely. The strong Third World position at the Paris North-South meeting, and the unequivocal support for it given by the East bloc, has forced much of Rockefeller's opposition into the open over the question of the New World Economic Order. It is also probable that Secretary Kissinger's openly psychotic attempt to sabotage détente and development this week — including his warmongering over Angola and the transparent, CIA-rigged terrorist attack on OPEC headquarters — contributed strongly to the shift.

Chi Supports Gold Move

In an interview yesterday with IPS, a source who is acknowledged to be an economic spokesman for the powerful Chicago faction of anti-Rockefeller interests stated, "I support the New World Economic Order as put forth by the Third World bloc at Paris," adding that the gold accord was a step in this direction. The source claimed that the Chicago group would support a gold-pegged dollar.

This private statement has been matched by several public notices by European sources that the dollar is going to come under heavy attack. The late French President Charles De Gaulle's ex-personal secretary Monsieur Guichard in a rare public statement Monday declared: "The monetary disorder and financial unseriousness of the last period are due to the abusive reign of the dollar, which is the cause of the present crisis," adding, "It will be necessary to attack the cause to get at the symptoms." Previously, Gaullist economist spokesman Michel Debré had called for an international monetary conference with East bloc participation. Guichard's statement was backed up by a similar statement from the UDR (Gaullist Party) Secretariat, which proposed a Third World development