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Collapse Accelerates:

IDB Solution Needed Now

March 7 (IPS) — Friday's catastrophic collapse of the British currency, the pound sterling, signals that the deepening world economic crisis has entered a new phase. Politicians and bankers on both sides of the Atlantic are now forced into decision-making processes on the basis of cold, hard reality. The collapse of international production and trade is accelerating to the breaking point.

There will be no hoped-for upswing in the U.S. subsector of the bankrupt Dollar Empire, nor any hope in meeting the March 31 debt rollover in international payments. In consequence, capitalists themselves are now opening up to consider what measures are necessary to stop the rot which has already brought on a holocaust of genocide and disease. The Labor Committee's proposal for an International Development Bank is thereby forced onto the agenda as the only practicable solution. Approximations simply will not work. Wall Street's desperately demanded alternative — fascist reorganization now, thermonuclear war by 1L77 — is intolerable to the bulk of the world's population.

The Bank of England began the run on its own currency, and continued to feed that run until pressure mounted on other weaker European currencies, the Danish kroner and French franc, while beginning to spill over into the initial phases of a run on the dollar itself. Idle speculators and observers may well seek to console themselves with the illusion that Friday's business activity is the beginning of the process of so-called competitive devaluation whereby the weaker European currencies are devalued against the dollar and the West German deutschemark while Wall Street's demanded dollar-deutschemark axis sneaked in through the back door. Such fools would be well advised to ponder the evidence, and act.

Short of Dumping The Dollar

The Bank of England dumped its own currency because that was its only possible course of action short of an actual break with the dollar. Since the announcement of last month's disastrous U.S. trade deficit figures, U.S. Federal Reserve Chairman Arthur Burns has embarked on a credit-tightening policy here to force Europeans to prop up U.S. banks. That policy created a pool of excess liquidity in London which could neither be invested there nor here. It was those funds which the Bank of England had to dump, and by so doing created the explosive pre-conditions for a run on the dollar itself.

More ominously, British sellers did not move into other currencies directly. They chose instead to hedge in the London commodities markets, buying tin, copper, cocoa and coffee. Their judgement was seconded by the director of the Swiss National Bank, Herr Leutwiller, in an address before international businessmen gathered in Zurich the day before. At that time Herr Leutwiller politely informed his audience, according to the authoritative Swiss daily Neue Züricher Zeitung, that he would make use of incoming dollar funds to "support" the gold market. Such signals demonstrate that capitalists themselves are preparing for a bust on the money markets. These are the first moves out of speculative paper, such as dollar investments, and into the realm of hard, tangible "real" objects provided by the commodities markets.

Even the Capitalists Know

Even capitalists know that such a state of affairs is, and would be, intolerable. Under such conditions, world economic activity would grind inexorably into total chaos. The world cannot be put back together on the basis of barter agreements, without returning to a feudal mode of existence and feudal levels of population. In consequence, capitalist spokesmen themselves have been forced into publicly mooting approximations of the solution required to put an end to the mess created in the world by the rapine appetities of Wall Street's debt collection agencies.

On March 4, Peter Jay, the economics editor of the London Times demanded in the columns of his paper that a stop be put to the sham of step-by-step negotiations between developed and developing countries for a New World Economic Order. Jay issued the following proposals: a commitment by the industrial countries to development of the Third World as a matter of enlightened self-interest; 25 year underwriting of the costs of development in the Third World; agreements internationally on specific projects to be mutually undertaken; a minimum guaranteed standard of living as specified by the British Commonwealth's group of experts (the Jay report coincided with a Commonwealth ministers' meeting in London); and debt rescheduling. The Jay proposal is identified by sources at the International Monetary Fund and World Bank as a product of the United Nations Commission on Trade and Development.

The flaw in Jay's proposal is that failure to freeze the $25 billion annual debt service of the Third World, as well as other categories of debt inside the advanced sector, would perpetuate the present intolerable strain on the financial system, and lead to hyperinflation were masses of new credit granted on top of it.

In addition, the following policy statements were coordinated with the Jay proposal:

1) The French financial daily Les Echoes published an editorial Thursday which denounced the current round of trade and tariffs negotiations under the Tokyo Round (using argumentation identical to the Jay proposals), and insisted that nothing could be settled unless the current dollar monetary system were replaced. The editorial cited the views of the French employers association, the CNPF, as the basis for this statement, and it should be understood that this is the viewpoint of the leadership of the Gaullist movement. Authoritative spokesmen for this movement have declared themselves to be in favor of debt moratoria and are studying proposals of the IDB type.

2) Italian Socialist Party leader De Martino told his party congress Wednesday that the Italian crisis was not a national but an international one, and that its solution demanded the creation of a new central financing facility — as Peter Jay did — "between capitalism and the planned economies." This is a vague definition of the IDB.

3) President Tito of Yugoslavia told a conference of representatives of the public-sector industry of 34 developing nations Friday that new international institutions must be created to accelerate the pace of development and "stabilize the world economy."

4) At a public lecture in Vienna this week, a spokesman for the Polish finance ministry proposed the creation of joint institutions between Eastern and Western Europe to finance East-West trade.

The same public stirrings were felt in Chicago where Mr. Abboud, head of that city's First National Bank, reported in the pages of the Chicago Tribune that relations between creditor and debtor countries have to be improved on the basis of expanding production.

It has been learned that privately such mooting have proceeded much further. The British government would support policies of debt moratoria, and recognizes the benefits to be derived from the creation of development-based institutions. Leading layers of the French Gaullist movement are working on proposals for a development-based monetary system to replace the bankrupt dollar. Italian, Swiss and French banking circles report that they consider the monetary chaos to be past the point of recovery, and that moratoria on debt and new institutions are needed. It is the same with circles considered broadly representative of Chicago industry.

The Issue is Debt

Yet such passes at the problem, no matter how well-intentioned the conception, will be as successful as attempts to mate a jack-ass with a horse. There will be no issue. First the question of the $800 billion overhang of debt has to be settled politically. That debt cannot be collected, and indeed is not being collected. Third World countries such as Argentina, Zambia, Zaire and Pakistan, who are unable to pay their debts are simply being left — cut off from access to credit and imports. They have become what former Agriculture Secretary Orville Freeman described in a recent interview as "holes in the world economy". If that question is walked around, or otherwise avoided, there can be no solution. The accelerating collapse of economic activity will continue so long as first claims on current production go to satisfy the insatiable demands of Wall Street's debt collectors. Such political agreement has to be matched with a commitment to implement the Labor Committee's International Development Bank proposal which remains the only workable proposal for putting the world economy back together, as a world economy rather than a patchwork of heteronomic interest groups.

It is the debt question which has to be dealt with as top priority by working-class and related political forces within the advanced capitalist sector. So long as any credence is given to the genocidal effects of Wall Streets demands for debt service payments, then those same banking circles typified by the Nuremberg criminal George Ball of Lehman Brothers, will redouble their efforts to impose fascist levels of accumulation within the advanced sector itself. Indeed such efforts were called for by the Wall Street Journal itself this past Friday in an editorial which endorsed the 'useless eaters' program of Nazis Heinrich Himmler and Albert Speer. And, such a policy means general thermonuclear war with the Soviet Union by at latest 1977. Dumping the debt now, politically, will remove the combined threats of descent into economic chaos and war, and see George Ball, David Rockefeller and their cohorts put where they belong.