heavy attack starting March 15, must now repay a 7 billion franc loan to the Bundesbank in "early May." The cash was borrowed to maintain the franc's position in the European currency snake. The loan will be rolled over — or so sources at the U.S. Treasury report. According to Morgan Guaranty, after receiving that bit of "grace," France must start using its gold reserves for collateral for future Euromarket loans. Meanwhile, Iran is reported to be withdrawing $200 million of its $1 billion in deposits at the Banque de France.

The Bank of England is in similar rotten shape. The Old Lady spent around a billion dollars supporting the pound in March and has continued to expand reserves at a similar rate. One banker attending the international banking conference in Hot Springs, Va., last week commented that a dollar pound is on the horizon.

Denmark, meanwhile, had to repay a 1.52 million deutschemark loan to the Bundesbank at the end of the month, but managed to get an extension until July. Repayment would have cost the country half its reserves.

The estimated $4 billion in Bundesbank support of other European currencies in the snake so far this year has introduced enormous inflationary pressure into the German national economy. The West German marks it provided to other central banks went directly into the hands of currency speculators and from there found their way back into the West German banking system, pushing the German money supply up at an annual rate of 16 per cent during the first quarter of 1976. It is no wonder then that the Bundesbank announced last week that it can no longer go on supporting European currencies.

How Much Longer?

Statements coming out of Europe over the last week indicate acute awareness on the part of the Europeans of the consequences of the continuation of present monetary arrangements. The Bundesbank, pivotal in the refinancing swindle, is showing signs of squirming under the Atlanticist yoke. Its annual report released last week warned of instability and inflation caused by the Eurodollar market operations with recommendations for bringing it under the control of the New York Federal Reserve Bank, the IMF, or other appropriate agencies. As everyone in Western Europe is fully aware, such regulation of the Eurodollar market would effectively end its illegal operations (which flourish only because it is "unregulated") as well as the major New York banks which depend on Eurodollar market operations for their profit margin.

A top New York investment banker confirmed last week that West Germany is indeed feeling heavy inflationary pressure, adding that the head of the Swedish central bank is privately very concerned about a tremendous "inflationary spiral later this year."

As the West Germans made their announcement, the Bank of England was giving its first slap in the face to the Eurodollar market. According to reliable sources here the Old Lady has abruptly ended its long-standing bribe to London investors to invest in Eurodollar bonds: it has recently changed regulations whereby London underwriters were allowed to take their dollar earnings and sell them to the Bank of England through the Investment Dollar Premium Pool, for sterling — an approximate 45 per cent bonus.

The debates within the EEC about what to do about the deteriorating monetary picture were unmistakably laid out by EEC staffer John E. Nash at the Financial Times of London's "Off-Shore Banking" conference in New York on Friday. The Euromarket, he noted, "is seen largely (particularly at its long end) as the means of buying up large sections of European industry with the money created by the U.S. balance of payments deficit .... So far as the Eurodollar market is concerned the old but recurring idea of putting a 'ring fence' of direct exchange controls around the Community countries is, I do not think, either politically practicable at this stage .... It is frequently propounded that a solution resides in achieving a higher degree of control over Euromarkets by the imposition of deposit requirements on Eurodollar banks and Eurodollar activities of banks...."

Hyperinflation: Atlanticists Move for Hyperinflation to Buy Some Time

April 27 (IPS) — Atlanticist financier circles made a deliberate decision over the past week to throw the world into a hyperinflationary spiral, in order to prevent the immediate collapse of the fraudulent "upswing."

Senior officials of the International Monetary Fund, the financial policeman of the post-war Atlantic Alliances, have identified the policy shift as a desperate gamble to avoid general political rout. According to these officials, the Atlanticists are afraid of triggering mass unemployment in the industrial countries and are equally unprepared to face the political consequences once the "upswing" myth is shattered: Europe and the Third World will defect from the dollar system.

"We hope that we can get through six to eight months of inflation before we get a collapse much worse than before," an IMF official said. "It could collapse much sooner. But it's the only choice we have."

The world economy is already deep into an inflationary collapse. The policy decision to forestall the dissolution of the "upswing" myth is opening up a flood of inflationary pressures, which have already shown up on the commodities markets and in industrial price increases. The monetary hyperinflation already underway throughout the dollar sector indicates that the current round of price jumps is the first ascent of an exponential curve.

The pressure towards immediate hyperinflation feeds off the disintegration of the dollar, which the Federal Reserve must now support almost daily in the foreign exchange markets, and its "buffer currencies," the West German mark and the British pound, now in an advanced state of putrefaction.

During the past month, key commodities trade on the world exchanges leapt up towards their 1974 speculative highs. The leading industrial metals, which are the benchmark for industrial raw materials prices, rose by 20 per cent since March.

In the United States sector, nearly the entire raw materials sector has announced price increases ranging from 6 per cent (for aluminum ingots) to 20 per cent (for lead) within the past week — more than the increase over the entire year to March. The Wheeling-Pittsburgh Steel Co. yesterday chalked up an 8 per cent increase in the price of flat-rolled steel, the basic raw component of most manufacturing output, which the rest of the industry will follow within days.

There is, bluntly, not a chance in hell that the hyperinflationary threshold can be put off "until just about the time that the presidential elections swing into high gear," in a worried estimate attributed to the Ford White House. This is already substantially recognized in certain financier circles — and is pushing all the Atlanticist factions toward agreement to drop the "upswing" charade and rely directly on military force.

"There's been a basic change in the labor movement," Harvard "Italy expert" Peter Lang told a conference of economists in New York last week. "The discipline of unemployment has simply stopped working. The mechanism of recession can no longer be used to enforce wage restraint. But the **other mechanism** is politically difficult for bourgeois democracy, and that raises tremendous problems."

Inside the "Upswing"

The deplorable stupidity of the Atlanticists' turn to the printing presses is that they have reluctantly decided upon an "inflationary boom," with all inflation and no boom. In the U.S., there is a sudden acceleration in the rate of increase of money supply, at a time when business lending has collapsed. Money supply has risen by 12 per cent during the past three months — of which most of the increase occurred during the past three weeks — and the money supply including time deposits is barreling along at an annual rate of 18 per cent. Business loans at New York banks have fallen by $4 billion since Jan. 1. Money is piling up inside the banking system, feeding every sort of speculation in stocks and commodities, because production is still paralyzed. The only active lending sector is consumer installment credit, which rose by $3.3 billion during March. This accounts for the flash-in-the-pan rise in April new car sales.

Despite the predictions of upswing, and the even more pressing expectation of wildfire inflation, manufacturers are refusing to build up raw materials stocks. The National Association of Purchasing Managers reports that roughly half the firms it surveys are still **cutting** inventories. Business economists are speculating that the last round of industrial price increases will do no more than wipe out what market there is.

While the U.S. economy rots, the growing mass of unlendable funds pours out of the New York banks into Cayman Islands, Bahamas, or London "offshore" branches, where it becomes roughly 12 times that amount of Eurodollar market casino chips. The still modest-commodity price boom sonsists of the following:

A New York bank transfers a mere $10 million to its Bahamas branch. This sum is deposited and re-deposited between various banks in the Caribbean and the London Eurodollar market, creating roughly $120 million, on average, in new deposits among the New York banks' island "shells." These deposits are then used to secure contracts for the future delivery of copper or tin at 10 per cent cash down, through any one of 20 "investors' funds" run between the Bahamas and the London Metals Exchange. In sum, a $10 million deposit from Chase Manhattan's head office can buy $1.2 billion worth of copper futures contracts in London — through the "Bermuda Triangle" hoax that has replaced the capitalist monetary system.

There is only one reason that last month's jump in the copper price was 20 per cent and not 2,000 per cent: industrial utilization of raw materials is so low that speculators are terrified of getting burnt the way they did when commodity prices collapsed by half between April and August of 1974

But if the Federal Reserve continues to permit money growth to balloon at the rate it did in the past month, the commodity market will blow out. The process of debt-refinancing itself, principally the generation of about $50 billion in fictitious "Eurodollar deposits" to cover for defaulting Third World and other Eurodollar loans, creates a huge mass of unusable short-term funds, ready to spill into commodity speculation. The European Economic Community's proposed short-term emergency loan of $1.2 billion to Italy will leave the cash-vaults of the West German central bank, and become an injection of cash reserves into the London-Bahamas circuit. This single "inflationary concession" to Italian political reality is sufficient to set off a hyperinflationary explosion through the "infinite multiplier" of the Eurodollar swindle.

No Buyers

In this context, what remains of world trade is a miserable farce. Third World "commodity export earnings" depend on a Bahama gambling casino! The U.S. economy imported in March 30 per cent more than during March 1975, stabilizing the exports of certain European countries and Japan **on paper**. In reality, the U.S. import picture, which produced a $650 million trade deficit last month, is a gigantic re-shuffle of inventories between foreign and U.S.-based branches of the same multinational corporations, financed through (principally) Eurodollar loans, based on fictitious deposits. Most of these goods pile up in inventory — stockpiles of foreign cars in the U.S. are double those of domestic cars, at 110 days' supply. Nothing is sold; checks are written and figured into corporate profit accounts, but never cashed. This is the entire content of the "upswing."

The Atlanticists are not entirely blind to the disaster that is staring them in the face, as a spate of "the-monetary-system-is-out-of-control" articles and speeches during the past week demonstrates. As the monetary illusion translates into hyperinflationary breakdown crisis, the Atlanticists stumble towards the final option: war.

NY Banker: You Need Showdowns to Show You're Not All Bluff

May 1 (IPS) — A source close to Big MAC chairman Felix Rohatyn was asked to comment this week on Wall Street backed plans to push ahead for a confrontation with the Soviet Union over the Mideast and for a NATO backed coup d'etat in Italy for mid-May. The source is known to express the opinions of Mr. Rohatyn.

"....The whole thing (the economy) is a speculative bubble. Stocks, commodities, inventories, you know. It's opertating on the principle that there is a greater fool down the road who will get it off my chest. Exactly as you said about (convicted swindler Bernie) Cornfeld's operation (off-shore funds manipulation through Carribean dummy-bank branches), the key thing is that the bankers, (Federal Reserve Chairman Arthur) Burns, Treasury Secretary Willam Simon, International Monetary Fund, Bundesbank, must keep this thing