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International Markets Newsletter

Hyperinflation Out Of Control; Preparations For Schachtian Solution

May 28 (NSIPS) — For purposed of historical record, the week just passed marks the death of the fraudulent "recovery." Western Europe's fate is now a matter of public record, after the announcement of a West German export collapse over April, and the U.S. credit markets have turned the point of no return in their long-delayed shutdown.

The architects of the fake recovery, who wanted to postpone a political confrontation with workers in the industrial countries until next fall, are verging on panic. "If we can camouflage inflation," one banking insider said, "and lull President Ford into thinking inflation is under control, which of course it isn't, and dupe the investors into a new stock market rally, then we can get through until 1977."

But the confidence game is shot to pieces, and Wall Street is going for blood. The bankers already have their "safety net" in place: a blueprint for a Schachtian slave-labor economy, for enforcement as the economic shock waves begin.

Last week's events speak for themselves.

* West Germany marked an unprecedented 9 per cent drop in exports — which take up half the country's industrial output — in the single month from March to April. In that period industrial production fell by 2.5 per cent. After the sharp rise in U.S. dollar interest rates began drawing "hot money" out of West Germany, the capital markets shut down. Even the Bank for Reconstruction, the old Marshall Fund agency, found the doors of the capital markets shut this week. The West German government is in the excruciating position where it can neither prevent a sharp rise in unemployment, nor raise money to finance the labor-intensive work programs the Wall Street-controlled Schmidt government wants.

* Contrary to all "market expectations," the U.S credit situation deteriorated throughout last week. Short-term interest rates continued to march upwards, despite frantic efforts by the Federal Reserve to hold them back through injection of new cash into the market for U.S. government securities. The prime rate of U.S. banks jumped to 7 per cent, and the stock market fell to a three-month low. The market for municipalities and states, who have been raising money at an annual rate of $25 billion, virtually disappeared in the credit crunch.

* Federal Reserve Chairman Arthur Burns, by the admission of Federal Reserve staff, has lost control over both the U.S. money supply, now rising at an annual rate close to 20 per cent, and the rise in dollar interest rates.

* The Federal government of West Germany has announced that it has stopped raising money on the bond market, after a government-agency issue collapsed yesterday morning. The French bond market has also virtually shut down.

* Foreign debts of the Third World have risen to over $300 billion, or twice the "official" estimates of the International Monetary Fund. They require over $30 billion a year in debt service alone, according to highly reliable banking sources, or roughly the same as the International Monetary Fund estimates of the Third World's total payments gap for 1976!

* This stupendous debt volume, three times the Third World's yearly exports, is being financed through pure hokery on the international markets, through the Cayman Islands and related off-shore banking frauds. For example: regional U.S. banks with cash to spare are trading in short-term paper of Argentinian banks, which pay half-again-as-much as other paper. But Argentina has £4.5 billion, more than its expected exports this year, in debt-repayments due this year. Inside Argentina, interest rates for commercial paper are at 120 per cent.

Crisis of Confidence

What one New York banking insider described as "the greater fool system," i.e., that there must always be a greater fool down the road to keep speculation going, is now dysfunctional. Because interest rates are shooting up with no ceiling in sight, the $8 billion a year Eurobond market has shut down.

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Banking newsletters warn that the "syndication" of big Eurodollar loans, in which 100 or more banks combine to put together a loan, has shut down in a crisis of confidence. This is the point of no return in the Eurodollar confidence game. Three small U.S. banks slapped a lawsuit for fraud on European-American Bank in New York, which arranged a $100 million financing for a bankrupt Greek shipowner. Banks are refusing to go into syndicated loans for Third World countries, since the arranging banks cannot guarantee payment.

The sudden rise in U.S. interest rates is taking place despite the absence of loan demand from U.S. corporations, which normally accounts for rising interest rates. The "outlaw" international banking circuit between the London Eurodollar market and the Cayman Islands branches of U.S. banks is sucking funds out of the U.S. credit system, and bleeding Western Europe dry of credit. The Eurodollar banks, saddled with $250 billion in loans to bankrupt Third World countries, $35 billion in loans to shipowners, and scores of billion in other illiquid paper, face a rollover crisis on June 30. Meanwhile, the mammoth $90 billion yearly financing requirement of the U.S. government and the $20 billion deficit of the West German government require continuous feeding.

Starting in October 1974, funds otherwise available for housing and capital spending poured into the government debt market, and bought corporate and municipal IOUs. The long process of cannibilization of plant and equipment reduced spending to $50 billion per year less than necessary to maintain current capacity. Now the U.S. productive base is exhausted.

On top of this deterioration of U.S industry, the banks maintained an artificial level of production and trade in consumer goods, based on consumer credit expansion at $2 billion a month, and pure speculation in inventories of industrial products.

Worldwide, the point has arrived at which the refinancing requirements of the U.S. dollar debt structure are driving interest rates up, choking off the last miserable signs of "recovery." In the U.S., polling organizations agree that "consumer confidence," that is, spending power, has dropped to the post-war low of Spring 1975. France and Great Britain are going through an immediate breakdown.

Through the March 31 rollover date, the Atlanticist financiers managed to keep the paper-chain intact by bulldozing their junior partners, the West Germans, into printing money at an annual rate of $25 billion. These funds were sent to Italy, France, Britain, and other bankrupt debtors of the Eurodollar market; the market for government securities has collapsed, and their currency, the deutsche mark is a speculative plaything on the international markets.

In retaliation, the West German press is attacking Wall Street. "Are the international banks so stupid as to imagine," writes the business daily Handelsblatt this morning, "that they can avoid a major default of a Eurodollar debtor through 'case by case' solutions." The newspaper concludes its editorial by demanding worldwide controls on the Eurodollar market, that is, shutting it down.

How do these swindlers plan to deal with this mess? "By throwing money at the problem," confessed a high U.S. Treasury official. The official, Donald Syvrud, admitted that the International Monetary Fund is now buying up the IOUs member governments, and that the Federal Reserve is printing dollars to pay for them. While Syvrud would not reveal how much paper the International Monetary Fund has bought, its capacity for this is almost $30 billion. In addition, the IMF is borrowing short-term money from central banks — who print it on request — to refinance short-term debts of Third World countries.

The Treasury, which is demanding the most vicious degree of austerity for U.S. workers on the principle of fighting inflation, is cooperating in the worst orgy of money-printing that the world economy has ever gone through. The IMFs illegal decision to act as the engine of world hyperinflation — it is jumping the gun on powers which the Treasury has only proposed to give it — determines precisely in what way the world economy will be destroyed.

France: 20 Per Cent Inflation

Contrary to Wall Street's plan to "camouflage inflation," France is already running an annual rate of inflation of 20 per cent, by the calculation of the Paris daily, France-Soir. Import prices rose by 13.2 per cent over the single month of April. To "combat inflation," the Giscard government announced that the nationalized banking sector would cut its credit allotment for the remainder of 1976 in half — leaving French farmers with no credit whatsoever for the upcoming crop! The merged auto firms, Peugeot and Citroen, will celebrate what the government calls a "record auto boom" with 3,000 worker layoffs next month, the French Communist Party reports.

In Britain, the government is printing money at a 27 per cent annual rate of increase to finance day-to-day expenditures. The British pound fell last week to a new historic low of $1.75 — a 12 per cent fall so far this year — as "hot money" fled Britain into high-interest dollar paper, or into gold-backed Swiss francs.

This has not gone unnoticed: European and U.S. Atlanticists will hold a funeral for their synthetic creation, the "recovery," at the European-United States Assessment of Manpower Policies, on June 9 in Brussels. According to an organizers for the conference, sponsored by the National Commission on Manpower Policies for the U.S., European officials complain that they do not yet have the political muscle to put across a European slave-labor policy. In particular, the official said, the high wages of the present "Swedish model" for retraining and relocating workers are too "inflationary." In addition, there is "too much competition" for slave labor jobs — in the form of unemployment insurance.

The same officials of the Schmidt and Giscard government who insist most heatedly on the "recovery" are preparing a European Nazi labor front as a "safety net," the official said. They are prepared to move in when the European economies collapse.

Plan For Full Hitler Labor Program For Europe

In the financiers' push for immediate creation of mechanisms to handle large-scale layoffs in Western Europe and training, relocation, and Nazi-style public works programs for the resulting unemployed, a keystone organizing event will be the June 9-10 U.S.-European Assessment of Manpower Policies conference outside of Brussels. Funded by David Rockefeller and Willy Brandt's German Marshall Fund, the conference is organized by Eli Ginzberg, author of the infamous Full Employment Act of 1946 and current chairman of the U.S. government's National Commission for Manpower Policy. Conference participants include the sister manpower commissions from the rest of NATO and top CIA controlled trade unionists and multinational business executives.

True to its tri-partite — fascist — format, the conference will set up national government policies, country by country, to fund and run programs for slave-wage, labor-intensive industrial and public works projects in Northern Europe and Chinese-like rural corvée labor projects in southern Europe, as detailed theoretically by the International Labour Organization's report for its June 4 World Employment Conference in Geneva.

"Just Like In 1931"

A good taste of these programs in operation was provided by West German Chancellor Helmut Schmidt's efforts this week to organize a Nazi labor front within West Germany