the dollar, to be determined by free fluctuation on the world market. Many Western European countries, however, are asking as much as possible to return to stable parities.

As in the past, it is hard to find any other sphere of international currency relations where the contradictions appear as openly as on the question of the future of gold. The U.S. government wants to "demonetize" (exclude it from international currency circulation) the metal and completely deprive it of its function as a measure of value and a reserve asset. Many countries, including France, have sharply opposed this.

Big disagreements have also arisen from the decision of the last IMF session that the gold contributed by member countries to its funds will be partially returned to them and partially sold at the free market price. The head of the Iranian Central Bank M. Yagan correctly noted that these are stop-gap measures, since increasing the volume of world liquidity by 100-150 million dollars (as will occur in the event that this decision is carried out), could intensify the inflationary process all the more.

The SDR's, which theoretically would become the basis of the new monetary mechanism, causes great doubts as well. Some Western economists consider that their issue will only help worsen inflation.

There are more than a few other problems, whch have not only not been resolved, but sometimes have aggravated the monetary conditions.

All of this undermines the efforts to develop an international monetary-financial system of capitalism. Temporary and unstable compromises, which are sometimes passed off as such a system, do not in any way help to overcome the monetary crisis.

Under these conditions, the advantage of the monetary-financial system of the socialist community countries become all the more obvious. As was noted in the resolution of the 28th session of the Comecon... "the foreign trade of Comecon member countries is growing with stability, free from the influence of monetary-finance crises, speculative price leaps and other negative phenomena. Monetary-finance relations are being improved, and the role of the transferable ruble as the collective currency in the ever growing economic relations of the Comecon countries is growing.

British Bail-Out Fails to Stem Crisis of Confidence

While the New York Times applauded this week's $5.3 billion bail-out of the Bank of England as "a well-timed example of international monetary cooperation at its best," both European capitalists and the foreign exchange market were quick to dismiss the move as a desperate and hyper-inflationary gambit, staving off only momentarily the imminent collapse of the bankrupt Eurocurrency market. The only practical outcome of the Atlanticists' $5.3 billion "rubber check" to Britain was to further galvanize European and Soviet motion around dumping the dollar and establishing a gold-backed monetary system.

The loan gambit marked an attempt to counteract the common knowledge among leading capitalist layers that the British and Italian debt crisis, combined with the certain default of a half-dozen Third World countries in late June and early July, could bring down the entire world monetary system within weeks. On the private markets, the daily business of "syndicating" Eurodollar loans — making up large credits by convincing banks to chip in small shares — has been paralyzed for weeks, as Euromarket banks are engaging in a welter of suits and countersuits to determine who pays the tab for some major bankruptcies. As an attempt to stem this "collapse of capitalist confidence," the British bail-out has already proven to be a dismal failure.

Immediately following the June 6 announcement of the British loan, the pound rebounded from $1.72 to $1.79, but once the real implications of the bail-out had sunk in among European banking circles, the pound again nosedived. By the end of the week, it was at $1.7725, only by grace of heavy intervention on the part of the Bank of England. According to the British press, the British central bank spent at least $200 million in supporting the pound on Tuesday and Wednesday alone, and rumor had it that the Bank was already spending the proceeds of the $5.3 billion loan since the rest of its reserves are virtually exhausted.

Loan Ridiculed

The absurdity of handing over $5.3 billion in freshly-printed U.S. paper to the Bank of England only to have the latter immediately sell it all for equally worthless British pounds was satirized by London Times columnist Bernard Levin: "With the new money we are not going to but plant or bread or even circuses. We are not about to go on a Hellenic cruise or pay for imports of frozen carrots. We are going to spend it, should it become necessary, on pound notes...The land where the inhabitants are so foolish that they think they can live by taking in each other's washing is well known in legend and metaphor. Britain today has gone one better, and declared her belief that she can live by taking in her own."

Former top NATO economist Yves Laulan summed up the Atlanticists' present plight: "Either we walk the tightrope, and let drop the countries which can't manage, or else, we'll have world wide inflation. Either it's bankruptcy and let them go, or we extend credit and we're back at double-digit inflation as in 1973, and this time we won't be so lucky."

Moreover, the British must repay the entire $5.3 billion plus interest in December — a feat which everyone agrees is impossible. According to U.S. bankers' "game-plan," the British will then be forced to turn to the International Monetary Fund for credits. During the six-month interlude, to the game plan British Chancellor of the Exchequer Denis Healy and other British Atlanticists will have gained the muscle which they presently lack — needed to impose brutal budget austerity so that Britain can "qualify" for IMF credits. The flaw in this argument is that 10 per cent of the British budget already goes into debt service payments, and, as the Financial Times readily admits, this percentage is rising at a rapid and totally "unpredictable" rate. As the notorious case of New York City demonstrates, no amount of austerity will ever be enough to cover this debt; in Britain's case, the austerity will only accelerate the collapse of the productive economy from which the debt is extracted.

By June 10, the outcry and ridicule in West Germany against the Atlanticist "confidence game" had grown so loud that the London Daily Telegraph, reported the West German government might refuse to participate in the loan.

Meanwhile, Financial Times' columnist C. Gordon Tether's pro-gold column on June 10, coinciding with the Soviets' latest initiatives around a new monetary system, signalled a mounting West German-Swiss-French-British offensive toward abandoning the dollar altogether. "Currency crises," Tether wrote, "are likely to follow one another in increasingly rapid succession as downward plunges in some currencies leave others dangerously exposed — meaning that only more or less continuous feats of brinkmanship of the kind organized around the pound now stand between the world and ultimate catastrophe...It would not be easy to switch over to an entirely new system with gold as its kingpin overnight. But the time has clearly come to start seeing this as one of the options open to us that we have got to think about."

Hyperinflation and Plunging Trade Figures

Hyperinflation is already emerging throughout Western Europe and Japan, putting an abrupt end to the phony "consumer-led" upswing. The Organization for Economic Cooperation and Development (OECD) and the Common Market Commission admitted yesterday — two months after the fact — that the 24 OECD countries were running a 13 per cent average annual inflation rate during the first four months of this year. As a direct result, retail sales everywhere took a nosedive, and, as the U.S. economy also went into slump, West German and Japanese exports plummeted.

Japanese exports fell by 7 per cent in April, while export letters of credit, a two-month leading indicator, fell a seasonally adjusted 10.3 per cent in April-May. The outflow of foreign funds triggered by this faltering of the Japanese "miracle" has resulted in a drastic contraction of the money supply and domestic liquidity, forcing the Japanese government to announce that it will inject more funds into the economy during June. Since Japanese banks and corporations are reporting poor profits, the government must risk further inflation in order to avert major bankruptcies.

Similarly, West German exports plunged 3.5 per cent in May, following a 9 per cent drop in April. West Germany's leading automobile exporter, Volkswagen, has reported sales 43 per cent below last year's in the U.S. market in the first five months of 1976. Meanwhile, the West German economy's shift from a trade surplus to a deficit position starting in April and higher U.S. interest rates, are sucking capital out of the country and have already collapsed domestic credit markets.

The French economy has been thrown into a deflationary tailspin which will shortly lead to production cutbacks and mass layoffs. The French money supply, after growing at an annual rate of 24 per cent since August 1975, grew hardly at all during March. This did not prevent April wholesale prices from rising 1.7 per cent, an annual rate of almost 23 per cent.

As for Italy, the Bank of Italy's latest austerity proposal — raising bank reserve requirements from 30 to 42 per cent — means that no more than one-third of the banking system's cash-flow is available for normal credit operations involving productive enterprises.