

dollars." Said a top-notch Wall Street bank analyst: "The accountants don't stand a chance because the international monetary system is too damn fragile."

So tenuous is the international monetary system in the face of the upcoming European payments crisis — the worst since World War II — that all the hullabaloo about West German Chancellor Helmut Schmidt's Washington statement on Italy, is nothing but tough talk aimed at preparing the ground for a major British-type bailout loan to Italy come September. There was never any possibility of strong Italian Communist Party representation in the new Italian government. Similarly, the private bank loan being arranged for Peru without IMF participation is an attempt to maintain market confidence. Knowing fully well that an IMF tranche credit to Peru would involve the application of tranche-linked austerity conditions that will be difficult to impose in the Peruvian political context, the banks want the IMF to stay out and preserve the wretched sanctity of its credit tranches. As for the private banks, they can be as "flexible" in the application of austerity conditions as conditions in Peru permit without any permanent harm to the dead institution known as the International Monetary Fund. Since the March \$5 billion bailout package for Britain, that's essentially what's been going on to keep the miserable Eurodollar market afloat.

Rome Banker: "There Will Be No Debt Moratorium"

July 20 (NSIPS) — In an interview today a Rome officer for a major Wall Street investment bank said, "Italy will have an austerity government within which economic cooperation with Italy's Western allies will be possible. Mr. Andreotti (Italy's premier-designate) will not be able to form a government with Mr. Mancini (pro-development Socialist leader) because Mancini is not well liked, and the interests of Mr. Cefis (the pro-development industrialists) are not the interests of Italy."

The banker concluded, "Mr. Agnelli (the Fiat magnate) has already proposed a technical government of the Christian Democracy, the Italian Communist Party, and a compromise, and they will succeed. Therefore, there will not be a debt moratorium."

New York Banker: "The Gaullists Don't Have Any Potent Man Capable Of Taking Over"

NEW YORK, July 21, (NSIPS) — The following interview was conducted with the loan officer for France at a major New York bank today.

NSIPS: What is your reaction to the offensive by Michel Debre and other leading Gaullists against the Giscard government's subservience to dollar inflation?

Banker: I think this is just a political ploy by the Gaullists. Of course it's true that Giscard is on very shaky feet already — but he won't step down, no, no, he won't.

NSIPS: But isn't it true that the Gaullists and their French Communist Party allies are successfully opposing austerity, so that the New York banks are forced to lend more to France to meet her payments to them?

Banker: Yes, they oppose austerity, so Giscard can't tighten interest rates one bit more. An incomes policy, a wage freeze is needed badly, very substantial cuts are needed in France in consumption to make good the tremendous losses in the drought.

NSIPS: But it's politically impossible, isn't it?

Banker: Yes. We have lent \$4 billion to France this year and will lend more...for now. Eventually of course they will have to devalue significantly...

NSIPS: Well, aren't you afraid that pressuring the Gaullists at a time like this might lead to their support for a debt moratorium by Mr. Andreotti in Italy, or perhaps to a moratorium in France? The PCFis holding a mass demonstration tomorrow protesting Helmut Schmidt's threats against Italy and Giscard's involvement...

Banker: Yes, yes, the Gaullists may very well have their calls for debt moratorium. This will be difficult for Giscard but he will have to permit it. But Giscard will remain because the Gaullists don't really have any potent man who is capable of taking over. Besides, you know, the French government has a \$1.5 billion credit line with major New York banks which is still undrawn, although committed. I believe this is counted as part of France's reserves...

New York Banker On The Franc

Interview with the foreign exchange trading desk of a major New York bank:

July 16, 1976

NSIPS: What do you think of the pressure on the French franc? Are the French complicit in this thing?

Banker: Oh, there is a lot of speculation, but I think that the Banque de France has been cooperating on the devaluation.

NSIPS: Why would they want to do that?

Banker: Chirac (the French Prime Minister — ed.) wants to help French farmers. He wants to have both credit tightening domestically and a devaluation of the 'green franc' which will bring in more for French exports within the EEC (Common Market — ed.). But I think the pressure will ease now that the objective has been fulfilled. I mean the Banque de France will intervene much more aggressively from now on.

Atlanticists Go For Broke With Economic Warfare

July 24 (NSIPS) — Western European governments are in an uproar over a West German-American maneuver to break the international market price of gold, as an economic warfare move against Italy, France, and the Soviet Union.

Sudden dumping of gold by the London branch offices of West German banks on Monday and Tuesday drove the metal's price down to \$105 an ounce, from the \$120-plus price range of the last several months. "West German banks began to dump gold on the market as part of a political-economic squeeze," New York's Journal of Commerce said Wednesday, to drive home West German Chancellor Helmut Schmidt's threats against Italy last weekend. In addition, highly reliable Swiss banking sources report that heavy forward sales of gold by New York investment houses at the instructions of the U.S. Treasury helped break the gold price.

Italy, now considering whether to greeze payments on its \$18 billion foreign debt, borrowed \$2 billion from the West German central bank in 1974, with gold priced at \$120 per ounce as collateral. The loan is up for repayment in September, and the drop in the gold price below \$120 gives the West German central bank room to arm-twist the new Italian government.

Economic warfare

"In addition to placing pressure on Italy," the Journal of Commerce added, "a drop in the world gold price would fit in

with U.S. policy of downgrading the metal and places the Soviets in a difficult position of financing foreign purchase, and, it is believed, may make that nation more amenable to American foreign policy objectives." The Soviet Union finances part of its foreign trade by selling gold on the world market. In addition, Western bankers and press outlets have threatened the Soviet Union and other socialist countries with a cutoff of trade credits, unless the Soviets make political concessions demanded of them.

Chicago agricultural and financial firms are warning that Henry Kissinger plans to use American grain exports for political blackmail against the Soviets and their allies. A Chicago-based economist says that the majority of the Ford Administration opposes the economic warfare policy, and that Kissinger is using his stooges in the West German government and public press "to bludgeon his opponents in Ford's cabinet." President Ford has repeatedly denied he will use grain exports or other trade as a political weapon, and White House sources have given out private assurances that the White House itself had nothing to do with this week's catastrophe on the gold market.

Backfire

While West German Atlanticist newspapers gloated on the break in the gold price, West German banking sources expressed fear that the maneuver would blow up in Schmidt's face. "Schmidt has gotten himself isolated in Europe," a leading international banker said. "What he said about the Italians is rubbish. You discuss such things, but you don't say them out loud." Yesterday, Schmidt's personal spokesman Armin Gruenewald had to publicly deny, with great embarrassment, that West Germany had started the panic on the gold market under Kissinger's instructions.

New York banking sources explained that the attack of gold, apart from pressuring the Soviets, was a desperate, preemptive move to discourage several European countries from breaking with the bankrupt dollar monetary system in favor of gold. But a spokesman for the Union Bank of Switzerland in Zurich said that the central banks of Switzerland, France, Holland, and other countries who favor a gold-backed monetary system would reverse the Atlanticist maneuver by repurchasing gold dumped this week by speculators.

The Paris daily France-Soir blasted the attack on the gold price as one side of a three-pronged economic assault on Western Europe, which also included this week's speculative attack on the French franc, and "American attempts to make the dollar and the Special Drawing Right (the International Monetary Fund's funny-money) the center of the world monetary system."

A New York banking insider warned that the developing European counterattack could bring down the dollar-based international monetary system. "The monetary system is extremely fragile, despite the so-called world recovery," he said. "We've got to stop the Gaullists. The big question is, how?" This week, the Bank for International Settlements released statistics to show that the Eurodollar market's growth, spectacular during 1975, slowed to almost nothing during the first quarter of this year, West German, Italian, and other European banks pulled funds out of the bankrupt market in anticipation of the March 31 payments crisis, the Bank reported. This impulse to cash in chips and run shows that the crisis of confidence in the dollar system has reached the point that the Eurodollar market could disintegrate on the first major Atlanticist political reversal.

Accordingly, that the Atlanticists have adopted a go-for-broke attitude on economic warfare, heedless of Western European and other reaction, is witnessed in a feature article in Newsweek which proposed a technology boycott against the Soviet Union.

NEW YORK, July 22 (NSIPS) — Our correspondents obtained interviews this week with leading "experts" on the gold markets. They are excerpted below.

Interview With Charles Fuller, (Author of the recent Journal of Commerce article on gold dumping by West Germans, U.S.)

NSIPS: How do you know it's the West Germans who are dumping gold?

Mr. Fuller: I know it because a leading banker contact of mine told me that here in New York. Plus, Janet Porter (another Journal of Commerce reported - ed.) got the same information — quite independently — in Europe.

NSIPS: Is it the Bundesbank then?

Fuller: No, I don't think the Bundesbank is running down its gold reserves. They can't do that. What is clear to me is that the West German government has told some of the large German banks to dump some gold in a very demoralized market to throw it into panic.

NSIPS: Are the Soviets selling any gold?

Fuller: No, I think those are all rumors. But they might have to in the near future. No, there is no evidence anywhere the Soviets have sold any more gold than they usually do.

Interview With A Commodity Trader At Conticommodity Corp., New York

I am convinced that this thing about Soviet sales of gold is plain rumor. No, they haven't sold any. It's the German banks and perhaps the U.S. Treasury.

Interview With James Sinclair (Partner, Vilas and Hickey, New York)

NSIPS: What's this gold crisis all about?

Sinclair: It's a decision that the French, West Germans and the U.S. made to attack the French franc and start dumping gold on the markets at the time of the International Monetary Fund gold sale. Now, the French haven't sold any gold. They just didn't buy much at the International Monetary Fund auction. Also, they did not support the French Franc when it came under attack. But the West German banks and U.S. banks are definitely taking advantage of the demoralized market. As Fuller says, one reason is to have the Italians and Portuguese put up more gold as collateral for their German and other loans. The other is to scare the markets.

NSIPS: Are any central banks selling gold?

Sinclair: No, they're not. The only people who are selling are the speculators who are panicking.

NSIPS: Did the Soviets sell any gold recently?

Sinclair: The haven't sold anything in the past few days. That stuff (press reports of Soviet gold sales - ed.) is all garbage.

NSIPS: So what's in store for gold?

Sinclair: Oh, when the speculators are shaken out and the price bottoms out, the European central banks — the Swiss, French, etc. — will move in and buy it up. I wouldn't worry about that.