

economic union with Comecon. The Italian daily *Il Fiorino*, a conduit for Prime Minister Andreotti, July 28 praised the Comecon's economic and monetary integration program, citing the "extremely useful transfer-ruble" as a reason for the success of the alliance. Fiorino called on the Comecon countries to "extend their economic planning to the area of trade with Western Europe," and proposed convertibility of the transfer-ruble as a means to accomplish this.

Hungarian central banker Janos Fekete, in a recent speech, indicated that the Comecon countries were wholly committed to a new world monetary system. There can be no capitalist recovery without a new monetary system, Fekete said, ridiculing the so-called recovery as a "one-shot" operation based on deficit spending. Rather than the dollar and so-called Special Drawing Right, the International Monetary Fund's funny-money, gold must be at the root of the new system. The Hungarian official called on the industrial capitalist countries, the Comecon nations, and the Third World to join negotiations in the frame-work of the United Nations to put the new system together.

This perspective has brought foam to the mouth of the editors of the *New York Times*, who devoted an editorial today to an attack on the transfer-ruble — whose existence the *Times* has not hitherto reported. "Comecon nations do business with each other in terms of a national (sic) currency or unit of account called the transferable ruble. Useful as that may be for book-keeping purposes, it is no substitute for a genuinely convertible currency that is welcomed everywhere as are, say, the dollar, the West German mark, etc."

The *Times* editors believe that a currency is something to be held and squeezed. In contrast, the transfer-ruble is a **transferable international credit** between nations to finance whatever trade Comecon nations agree is economically useful. European nations, whose trade is collapsing under a burden of \$90 billion in European dollar debt, want access to it.

New York Banks Declare Currency War On Europe

July 31 (NSIPS) — The major speculative attack on European currencies launched by the New York banks on July 29 had the avowed purpose of forcing severe austerity policies throughout Western Europe. According to the chief foreign exchange trader at Chemical Bank in New York, "a general European crisis" will erupt "possibly by Monday or sometime next week." The Atlanticists' immediate objective is to break up the European currency "snake" — the close union of major trading currencies — and compel a revaluation of the deutschemark, immediately raising the cost of imported goods to all West Germany's European trading partners. Asked whether this currency warfare was not "kicking the Europeans" while they're down," coming on the heels of the Rockefeller-orchestrated gold price collapse, the Chemical Bank spokesman answered in the affirmative.

In heavy trading on July 29-30, every "weak" European snake currency, including the Belgian franc, Dutch guilder, Swedish krona, Danish krona, and Norwegian krona, hit the "floor" against the deutschemark — that is, the lower limit within which currencies are allowed to fluctuate in the snake system. The Bundesbank, which has been fiercely resisting a deutschemark revaluation due to its destructive effect of West German industrial exports, was forced to intervene massively

in support of these currencies, buying 1.04 billion Belgian francs and more than 20 million Swedish krona. At the same time, heavy speculative pressure built up against the British pound and the French franc. The latter is to be devalued another 8 per cent, *Business Week* "predicts."

Ironically, the currency chaos in Europe has boomeranged against the dollar itself which dropped 1.8 per cent against the deutschemark between Tuesday and the end of Friday's trading. Although the Atlanticist bankers had intended to build up the deutschemark as part of their strategy for subjugating Europe, a panic set in following new Commerce Department releases showing a slowdown in the U.S. economy belying the recovery myth. Thus, the Atlanticists unwittingly triggered a major "crisis of confidence" for their own worthless currency.

Their provocations have merely served to harden the resistance of the French Gaullists and other anti-Atlanticist European capitalists who aim to build a new monetary system backed by gold. The French Central Bank announced on Friday that it had bought more gold at the latest International Monetary Fund auction. In an interview with the Italian periodical *Espresso*, Gaullist economist Jacques Rueff exposed the U.S. role in organizing the gold price drop, and called for reintroduction of gold into the monetary system to provide the basis for productive investment and trade. Also on Friday, French radio broadcast every hour on the hour an interview with Michel Debre, prime minister under DeGaulle, who advocated expanded economic relations with the Third World on the basis of a new monetary system.

Austerity Compounds Crisis

But the Europeans must take decisive action against the dollar soon, before Atlanticist-dictated austerity reduces their economies to an economic "trummerfeld." Already, as a result of Friday's battering of their currencies, the Dutch were forced to raise their bank lending rate by one half percentage point while the Belgians hiked short-term rates, moves which are bound to choke off any remaining potential for industrial growth by making credit too expensive.

Italy, currently the Atlanticists' chosen model for "how austerity can work," actually proves the exact opposite. As result of draconian import controls and "reverse capital flight" orchestrated by the Atlanticists since the elections, Italy will be able to meet its debt obligations, New York bank officials brag. The import deposit scheme, requiring industrialists to deposit 50 per cent of the cost of all imports with the Bank of Italy interest-free, has sucked \$3 billion out of the Italian economy, allowing the BOI to repay \$500 million to the U.S. Federal Reserve — in advance of the September deadline — and \$2 billion to the West German government.

In reality, the austerity regimen is driving Italian productive industry and labor power back into the Dark Ages. According to Italian press accounts, the import deposit scheme has cost the Italian chemical and oil giants, Montedison and ENI, hundreds of millions of dollars in interest charges and forced the latter into virtual bankruptcy. ENI has had to restrict its oil imports to a bare minimum, while it seeks to prop up its major customer, the equally bankrupt Italian electrical firm ENEL, by selling the latter oil on credit. New York banks insist that the import deposits must be extended indefinitely, but if they continue much longer, raw materials and food shortages will shut down the entire economy.

Meanwhile, last week's *London Economist* exposes the fragility of the New York Atlanticists' "solution," pointing out that the Bank of Italy must begin reimbursing Italian capitalists for their initial import deposits starting August 3, that the "reverse capital flight" has come to an end, and that the "slowdown" in the rest of Europe will preclude any Italian "export boom" on the basis of the devalued lira.