

the annual meeting yesterday of the Second International, the federation of social-democratic parties that has long been dominated by Atlanticist agent Willy Brandt, the chairman of the SPD. Craxi called for support for the new world economic order; a new monetary system without the chaos of the floating dollar; disarmament and reconversion of military capacity to high-technology industrial use. Schmidt blasted the Carter inflation line, ridiculing "the idea that seems to be prevailing in 140 different countries that the way to get out of economic problems is to print money." Reportedly, Craxi will take over the position of Second International vice-president with responsibility for relations with the Arab world.

West Germany Crucial

These deployments of anti-Atlanticist forces are focused on the summit meeting of European leaders next week which will hammer out the nine countries' position at the Dec. 15 final round of the year-long "North-South" talks in Paris. Italy is on record supporting the Third World's central demand for moratorium on their \$300 billion foreign debts. At the Brussels meeting of European foreign ministers last week, Italian minister Forlani proposed a straight-out European deal with the Third World, under which Europe would back Third World demands

for debt cancellation in return for holding the upcoming rise in the world oil price to a minimum. Britain and Belgium backed the Italians up, against the hysterical opposition of West German foreign minister Genscher.

But the West German hardline position has cracked open, as the Schmidt government reconsiders whether it should act as Henry Kissinger's cop in Europe. A high West German foreign ministry official warned last week that "it is not in our interests and politically unacceptable for West Germany to be isolated in Western Europe." The official, State Secretary Hermes, added that the Schmidt government "cannot block" the North-South negotiations "simply because we fear we will be asked for more concessions than we want to make." An editorial in the right-wing daily Die Welt yesterday predicted that the West Germans will make "generous concessions" on the debt issue and offer "broad, sweeping debt relief" — the first time that position has ever been attributed to the West German government.

Whether West Germany swings in behind the British and Italian axis will be crucial for the outcome of next week's summit meeting. Political associates of Chancellor Helmut Schmidt say that Foreign Minister Genscher, the Atlanticist die-hard in the Schmidt government, is threatening a governmental crisis if Schmidt goes along with the British and Italians.

How the World Has Been Forced To Prop Up the Dollar

Deutsche Zeitung — the West German newspaper which has been most closely identified with Ruhr industrial interests and the Christian Democratic faction led by Gerhard Stoltenberg — this week issued the first explicit threat by West German capitalists to break with the dollar system. In a Nov. 25 article, Deutsche Zeitung economist Wannemacher warned that "the world power of the dollar depends on foreign investment in the dollar, and with Carter's election, foreign investors will lose confidence in the dollar." Following a sharp attack on Carter's economic policies — to force reflation on West Germany and Japan in order to bail out the U.S. banks' bad loans — Wannemacher characterized Carter's advisers as "medicine men who believe in economic hocus-pocus," and ended with a "rhetorical question: "What would happen if only one tenth of the \$135 billion foreign short-term investments were moved out? This would create a chain reaction."

It is no accident that West German industrialists, up until now the Atlanticists' last bastion of strength on the European continent, have chosen this moment to "discover" the fact that the dollar system is a millstone around their necks. During the months of July to October alone, the West German central bank has had to absorb a massive \$2.9 billion inflow in foreign exchange (mainly dollars), as idle funds freed up by the ongoing depression in the U.S. ran into the deutschemark in search of quick speculative profits. The direct result of this foreign capital inflow was an explosion in the West German money supply, forcing the central bank to impose extremely tight credit conditions to avoid inflation — just at the point when West German industry was entering a new collapse-phase!

Not coincidentally, the \$2.9 billion which the West Germans were forced to monetize was exactly equal to the record trade deficit which the U.S. economy ran up in the third quarter. According to Chase Manhattan's "International Finance"

newsletter, the U.S. is heading toward a record shortfall of \$8.9 billion this year, following last year's \$9 billion trade surplus. U.S. exports have stagnated at a 7 per cent annual rate of growth, barely exceeding current inflation rates.

By continuing to accept the massive inflow of dollar IOU's, West Germany and the rest of the world have taken the brunt of U.S. inflation, reflecting the stagnation, and in recent years, actual negative growth of basic U.S. industry. This has been the case since the 1958 U.S. recession, when U.S. financiers decided that they had reached the limits of profitable investment in domestic industry, and diverted all available capital into the buying up of European equities. The next step was the creation of the Eurodollar market, the completely unregulated pool of "offshore" dollars spawned by the mammoth U.S. payments deficits necessitated by this building of an American Empire. The Eurodollar market has, in turn, become the basis for every imaginable speculative enterprise, including the 1973-74 boom in loans to the Third World based on the artificial jacking up of commodity prices.

Exponential growth of this dollar pool — lacking any reserve requirements whatsoever — has been the primary engine of world inflation since the early 1960s. A crude measure of the degree to which the rest of the world has had to absorb dollar inflation is the growth in non-gold international reserves held by governments, the bulk of which is in dollars. As of August 1976, these reserves totalled \$173 billion, compared to \$53 billion in 1970 !

This is not the least of it. Most of these dollar reserves are in the form of U.S. Treasury securities; that is, U.S. government debt. This is the result of the early 1960s swindle, in which Robert Roosa, now a Carter advisor, persuaded the Europeans to help mop up the excess dollars by investing them in non-negotiable long-term Treasury bonds, appropriately nicknamed "Roosa bonds."

As of this date, the total U.S. national debt stands at \$600 billion, with foreign investors, both private and official, holding \$135 billion of it. This is the basis for *Deutsche Zeitung's* threat — to bring down the dollar once and for all by dumping these Treasury securities. The West Germans have supported the dollar for 20 years; they can break it in a day.

The oil-producing countries have also been cynically manipulated by U.S. finance to take the brunt of the dollar crisis. OPEC's reserves have quadrupled since the 1973 run-up in oil prices, accounting for the bulk of the growth in international

reserves from 1973 to the present. But despite this apparent "enrichment," the oil producers have until recently kept these reserves in short-term Eurodollar deposits and short-term U.S. Treasury securities. As a result of the steady depreciation of the U.S. dollar in terms of real goods, one Saudi official charged last week, development projects have been stymied and the Saudis have lost \$800 million in the last year alone. These are the cold economic facts behind the recent OPEC shift out of the dollar into gold and European currencies, and the basis for the current Euro-Arab rapprochement.

EUROPE POLITICAL REALIGNMENT

Political Shakeup In West Germany

Nov. 26 (NSIPS) — A political earthquake erupted in the West German Parliamentary system this week, when on Nov. 19, the Bavarian Christian Social Union voted to dissolve a two-decade parliamentary bloc with the northern-based Christian Democratic Union. Thus far, most U.S. news agencies have glossed over this development, reporting it as a bold move by the Christian Social Union (CSU) Chairman, neo-Nazi Franz Josef Strauss, to force his way to the Chancellorship in 1980.

In fact the split has a much more immediate significance — it opens up the possibility for a far-reaching political realignment against Wall Street in the country which for the past 30 years has served as the linchpin of the Atlantic Alliance.

The trigger which forced the split, building up for months behind the scenes, is the threat to West Germany of James Earl Carter as President of the United States. A highly informed Christian Democrat denounced Carter in a private interview this week as "the creation of the most aggressive imperialist circles in the United States, the Council on Foreign Relations." He added emphatically that the break in the conservative bloc was engineered to free centrist elements in the north from CSU Chairman Strauss' hawkish, pro-U.S. policies and to pave the way for increasing collaboration with the governing Social Democracy on a program of peace and economic development. "We must insure," he stated, "that Western Europe does not break from the Third World. For if this occurs, Carter would have won half."

Virulent public attacks from West German quarters against economic and military policies pushed by Carter's backers reached unprecedented proportions this past week. The most recent issue of *Deutsche Zeitung*, a weekly representing the views of West Germany's leading industrial circles, issued a call for a calculated mass exit of foreign capital from U.S. investments. Highly respected guest writer Hans Wannemacher framed this proposal in a strong broadside against Carter economic advisor Lawrence Klein, calling him a "hocus pocus medicine man," for endorsing reflation of the western economies.

U.S. military representatives and Henry Kissinger had an opportunity recently to meet the West German opponents of their war policies face to face. At the Williamsburg, Virginia NATO Atlantic Council meeting, U.S. representatives were continuously hounded by West German and Dutch social democratic delegates' demands that disarmament and détente be put forward on the agenda in place of the U.S.-directed debate on preparations for war.

Realignment, Not Weimar

Domestically, the conservative split has strengthened the present coalition government of Social Democrats and Free Democrats, and has removed obstacles to the re-election of SPD Chancellor Schmidt on Dec. 13 at the first session of the new Bundestag. Prior to the split, the danger existed that pro-war agents around Free Democrat and Foreign Minister Hans Dietrich Genscher would bolt from the SPD before the Dec. 13 vote, and form a coalition with the CDU-CSU opposition group.

Rockefeller agent Genscher's option to do this is now virtually ruled out, since the reduced CDU fraction would not constitute a numerical Parliamentary majority with the tiny Free Democrats. In fact, numerous informed sources have revealed that SPD and moderate CDU leaders are intensively discussing the feasibility of the SPD simply dumping the FDP — the Federal Republic's notorious "swing party" — and entering into a formal coalition with the CDU fraction. Even if this does not occur on a federal level, *Der Spiegel* magazine and a number of daily papers have reported that on the regional level — for example in Hamburg — the SPD and CDU fractions are already collaborating on a number of key issues, in opposition to undesirable "radical" FDP officials.

Rumors have coursed throughout Bonn and the international press that a "Weimar-style" splintering of all existing parties could erupt as a result of the conservative crack. This panic-mongering is based on the argument that without a credible ultra-right threat in the country, disputing "leftist" and "rightist" factions in the SPD-FDP coalition no longer have a reason to huddle together.

Herbert Wehner, the SPD Parliamentary fraction's influential chairman, refuted this argument in strong terms in the latest issue of *Stern* magazine. Signalling his own intention to prevent a Weimar style dissolution of the existing forces for détente and economic development, Wehner derided the idea that an ultra-leftist split-off from the SPD could survive.

Informed observers of Bonn party politics are well aware that Wehner's warnings to the SPD "left" are at least partially directed at party chairman Willy Brandt, the thoroughly compromised figurehead created by the American secret service during his tenure as Mayor of Berlin. Brandt directs a considerable "left-wing" operation in the party, based on a program of zero growth, environmentalism, and anti-Sovietism. Just recently, Brandt endorsed a series of violent protests by armed demonstrators in the CDU-governed state of Schleswig-Holstein, organized by agent controlled environmentalist