"The IMF is bankrupt," cried the U.S. financial press in visible agony, including such respected organs as the *Journal of Commerce* and *Wall Street Journal*. With Britain, Italy, Portugal, and Third World nations lining up for funds, the International Monetary Fund's could come up with only $579.5 million in hard currency for the "General Agreement to Borrow." Switzerland, a non-IMF member, had to put up an additional $347.7 million as a loan to the IMF!

What makes the G-10 flop so critical is the fact that U.S.-based private international banks are dangerously overextended, with an estimated $450 billion in "problem" loans outstanding to European and Third World nations. According to Morgan Guaranty's "World Financial Markets" survey which received prominent coverage in last week's financial press, international loans rose by a record $78 billion in 1976, one-and-a-half times the previous year.

Without international bail-out and guarantee mechanisms, the U.S. banks will simply sink under the weight of carrying out this immense refinancing operation. It is already an open secret in international financial circles that the drop in the "Fed Funds" rate is a deliberate effort by the U.S. Federal Reserve to shore up the liquidity of Chase Manhattan and other New York commercial banks. The plight of Chase et al. is now considered so dangerous, that the Federal Reserve is willing to risk another run on the dollar in order to keep them afloat.

Role of European Debtors

The development of independent European policy will depend largely on the success of heavily indebted Britain, Italy, and France to combat their own currency crises by challenging the very basis of the existing world monetary system. The Italian lira, for example, sunk from 865 to the dollar to 875 this week, when the Italian government began to phase out its foreign exchange tax. Although the Italians have placed further stringent controls over the exchange markets — even instructing U.S. multinational oil companies that they could convert lira into foreign currency only at central bank-dictated rates — these are, at best, temporary measures. More significant is the Italian government's proposal that European and Arab countries pool their reserves in a central institution in finance East -West trade, their stated willingness to guarantee trade financed in Soviet transfer rubles, and the "symbolic" revaluation of Italian gold reserves to the world market price.

France may shortly be in Italy's shoes — financially speaking. The country racked up a stunning $4 billion trade deficit this year, and it is rumored France will soon have to request an IMF loan.

The dollar is even more bankrupt than the British pound, Gaullist financial columnist Paul Fabra charged on the front page of *Le Monde* Dec. 22. Britain's insistence that it not be held responsible for the pound sterling holders of foreigners — that is, Britain's paper IOUs to the rest of the world — "adds fuel to the arguments of the Third World countries that demand a moratorium on their debts. It sheds cruel light," Fabra added, "on the vulnerability of the dollar, which is no less loaded with immense foreign commitments." After all, with three trillion dollars in international liquidity representing claims on the U.S. economy which cannot possibly be repaid, the U.S. is the world's biggest debtor.

GDR: Western Capitalist Nations Have Interest in New Economic Order

The German Democratic Republic's Institute for Politics and Economics (IPW) asserted in its December monthly bulletin that the founding of a new world economic order has become a priority issue for all nations, including both the capitalist world and the socialist countries. In motivating this assertion, the IPW-journal relates the role of the Soviet Union, since the Bolshevik Revolution, in promotion of worldwide economic growth. In 1920 Lenin stated, "We are assuming the task of putting forward a plan for the reconstruction of the entire world economy."

A major portion of the article is that all advanced capitalist countries have self-interest in promoting the transformation of the world economy, in collaboration with the Socialist sector, even if they are acting in favor of strictly capitalist goals. Reprinted below are excerpts from the journal.

What has been manifested since 1973 in the demands of the developing countries is nothing more than the objective needs and tasks of our age, as defined by present conditions of the growing strength and influence of socialism on world politics and the world economy...The resultant, enormous growth of the productive forces (in the Soviet sector...ed) and the tempo of their development have effected, simultaneously an ever greater internationalization (of the world economy). Thus, no nation can remain outside of this framework — whether it be socialist or capitalist, industrially advanced, underdeveloped, or mainly in the initial stages of industrial development.

The orderly and growing exchange of activities between peoples is no longer just a necessary precondition for expanded reproduction within national sectors, but within the global system in its entirety....In the same fashion in which changes are expressed in the international relationship of (political) forces, the forms and mechanisms of these nations constitute objectively necessary elements of a world economy which bears a transitional character, within which capitalist, socialist and developing countries have effects upon one another within a complex network....A change in this structure lies therefore, first of all, in the interests of the exploited and looted developing nations, which no longer desire to sacrifice their own development to the welfare of their exploiters. However, it would also lie in the interests of the highly developed capitalist countries, even if from the standpoint of their accomodating themselves to the changed conditions of capital valuations, or for the purpose of securing an expanded reproduction of capital on an international scale.