is no evidence for optimism.

In fact, the commercial banks are in a terrific squeeze. U.S. official sources estimate a contraction of Arab deposits in the Eurodollar market during the last 18 months of close to 25 percent. This occurred, according to EIR's access to work in progress at a government agency, due to policy decisions by the Saudi Arabian Monetary Agency (SAMA). The decision was taken, according to the same sources, on the advice of the British merchant bank advisors to the Saudi Arabian Monetary Agency, who are White Weld, Baring Brothers, and Robert Fleming.

OPEC funds went instead, in increasing volume, to private placements of U.S. and European government and corporate paper. No estimates of volume are available, although Hambro's Bank's guess-estimate is $5 billion in private placements out of London alone so far this year. (Guido Hanselmann of Union Bank of Switzerland says that the Swiss banks are in London's league, although he refused to make a comparison.) Ironically, most of the private placements have gone through American names, and Chase Manhattan Ltd. claims to have number one place.

In other words, on British policy guidance, the Saudis undertook a policy shift that caused virtually all the major international market operators to play the game according to London's rules. The result is that the American commercial banks' access to OPEC deposits has been diminishing relative to previous periods. Yet their international lending — an activity which the perilous condition of their debtors locks them into — has increased. The official sources cited above believe that the funding for these international loans comes mainly from the transfer of domestic bank deposits to foreign branches. Earlier this year, for example, the foreign and domestic deposits of the twelve New York City clearinghouse banks were roughly even. However, by the end of September, the proportion had shifted dramatically in favor of foreign deposits by a ratio of roughly $70 billion to $100 billion. This is not a precise estimate of the net shift of liquidity from the U.S. banking system to the Eurodollar market, but the figures do indicate, in context, that a major shift is under way.

For self-evident reasons, any problem in liquidity in the U.S. banking system could undermine the liability position of some of the leading U.S. banks, especially institutions that have not succeeded in diversifying their sources of funds. Relatively speaking, Bank of America and Citibank are well diversified. Chase Manhattan, Chemical Bank, and Bankers Trust definitely are not, using criteria of retail deposit base, foreign currency diversification, etc., according to most bank analysts. Even though the drawing power of Chase Manhattan Ltd. (Chase Manhattan's London-based investment arm) is relatively greater than that of S.G. Warburg's or N.M. Rothschild's, any shakeout on the Eurodollar market would fracture all the operations of the U.S. commercial banks.

The Dollar Can Be Saved With A High-Technology Export Policy

Lyndon H. LaRouche, Jr., chairman of the U.S. Labor Party, has issued the following emergency program to save the U.S. dollar from the London-Mondale-Blumenthal conspiracy to send it and the United States back into colonial status.

"The manic attempt of the City of London and its agents in the United States to destroy the U.S. dollar is a direct blow at the industrial and agricultural productive potential of this country, and at recent moves by the Carter Administration to join with France and West Germany in using this potential for international peace and economic development. Emergency steps must be taken.

"Over the coming weekend two things must be done. The Administration and protechnology legislators must put the dollar onto a profile of high-technology exports by announcing a policy of high-technology, particularly nuclear exports. The City of London wants to turn the dollar into toilet paper to make the U.S. "bear the burden" of the current world economic collapse; rather we must build the dollar up with a base of burgeoning hard-commodity and high-technology production.

"Simultaneously the Federal Reserve System must move to implement this policy by establishing a two-tier credit system. One window of the Federal Reserve would then provide low-interest, easy-to-obtain credits for hard-technology energy development, industrial production and agricultural investment. Another window would maintain punitively high rates of interest to clamp down on speculation and other monkey business. Such a policy requires no new legislation, and is fully consonant with the existing conditions of the Fed's charter.

"By Monday, this policy should be supplemented by the presentation of a bill calling for the formation of an Energy Development Corporation. This agency — to be formed on a similar basis to the Reconstruction Finance Corporation of the 1930s, but with a vastly different content — will provide credit for the buildup of production in all areas of the economy that the establishment of a high-technology energy program requires.

"In this situation of economic and political warfare, any manipulation of interest rates, money supply and other monetarist measures will only have the opposite of any intended "technical effect." To save the dollar, we must save the U.S. economy with a high-technology nuclear export program that will return the United States to its proper international leadership for science and technology."