"Medium-term Eurocurrency lending this year could exceed $36 billion with more than 80 percent of that amount in dollars. This would not only be a record but would exceed the previous annual total of $29.3 billion in 1974 by nearly a quarter."

Although such heavy borrowing would normally strengthen the dollar, most of the loans are immediately converted into other currencies, often to allow countries to support their own currencies against the zooming yen, mark, and Swiss franc. "Even when bank loans are for construction of plant and equipment, the proceeds are often converted into other currencies" as countries choose to buy from the more technology-conscious Japanese and West Germany than from U.S. producers. Add to this the $18 billion so far printed in the U.S. to pay the current account deficit, and "the ability of central banks to keep an orderly market is in doubt," the Dow Jones concludes. "If so, the dollar's decline could become pronounced."

## British Refloat 'Europa'

Although British EEC Commissioner Roy Jenkins's proposal to create a new European currency, the "Europa", as an open rival to the dollar, has been firmly rebuffed by other European governments, a diluted version of the proposal received wide circulation this week. Under the "Europa" plan, all national European currencies would be eliminated and replaced by one single currency. National governments would lose control over their own economices, allowing London — with its strategic control over Arab money flows — to buy and dominate continental industry.

An article in the Nov. 29 *Daily Telegraph*, by economics editor Andreas Whittam-Smith, entitled "EMU (European Monetary Union — AB) Will Fly When the Political Flight-Path is Clear" lets slip the methods by which City of London forces hope to break down European resistance to the "Europa." According to Whittam-Smith, the first phase must be the destruction of the "snake" — the joint European currency float, which is the sole remaining oasis of stability in the international currency markets. This will entail forced devaluations of the weaker currencies and austerity so as to eliminate the inflation rate "differential" between countries and pave the way for "integration."

Even Robert Triffin, the Yale University professor who popularized the original Special Drawing Rights "funny money" scheme, has gotten into the act. In a Nov. 25 London *Financial Times* feature, modestly titled "A Proposal to Shelter Europe from Currency Shocks," Triffin attempts to meet European objections that the "Europa" will undermine national autonomy, advocating a "step-by-step" approach. Triffin recommends the creation of a "parallel currency", which would replace the Eurodollar and other Euro-currencies in international transactions but would — for the moment — leave national currencies intact. Such a parallel currency, says Triffin, "would provide a far more logical 'centre of gravity' than the dollar,'" although, like the dollar, it would not be freely convertible into gold, nor would its expansion be limited by any other measure of productive economic activity.

The "option" of an expanded role for the pound sterling has also not been dropped. Two more Euro-sterling bonds, totalling £45 million, were floated this week, and *Times* of London columnist Hamish McRae claims that the Euro-sterling issues have successfully "endured" the test of the marketplace.

The drive to re-establish London's pre-eminence as "the world's banker" emerged as the major theme of the Institutional Investors conference held in London this week — under the guise of promoting "European Federalism." Summing up the anti-American tone of the conference, Lord Duncan-Sands, an old Winston Churchill crony, ominously declared: "The European Western alliance is too lopsided, too dependent on one super-power."

*— Alice Blythe*

# Administration Offers Steel Industry The Third World Treatment

In an effort to buy off sections of the steel industry, the United Steelworkers, and steel belt politicians, Under Treasury Secretary Anthony Solomon will feature a special loan guarantee fund as part of his forthcoming emergency program for the steel industry.

### STEEL

As described in a memorandum which is circulating among members of the congressional steel caucus and other involved parties, the financial loan program would center on a $215 million fund which could extend $500 million in loan guarantees over four years. The purpose would be to enable ailing steel companies to raise the capital needed to modernize. This aspect of the Solomon plan is clearly a response to the mounting pressure for a full-scale modernization program.

However, this "concession" to smaller steel companies and the communities where they are located is tantamount to treating the companies like Third World debtors—offering them financial aid on a "case-by-case" basis to keep them from demanding a major program for putting the steel industry back on its feet. The miniscule size of the funds involved would probably keep near-bankrupt companies like Wheeling-Pittsburgh open just long enough to repay their debts, and while Solomon is trying to sell his proposals as an aid package for the