in the European monetary system, almost as bad as Mrs. Thatcher's politically buffered pound sterling. But Donald Regan's bloated dollar could not crush the Italian lira, and, as the lira recovered, the dollar began to slide again to the low end of its present trading range of 2.80-2.90 DM. The lira, devalued against the deutschemark, was held up against the dollar by the deutschemark.

To continue the hyperinflationary course, the dollar would have to be run back up to well above the level of 3.50 DM reached in late winter, early spring. Not surprisingly, the lira slide on July 19 took that currency back to its low level against the dollar from that period. But the U.S. currency, which must, under current arrangements, be the vehicle for raising foreign funds to finance the U.S. current account and federal budget deficit, is still over-valued more than two-fold against the West German mark. This reality dictates that if the dollar can no longer crush the currencies of Europe, its slide will not be halted at the level of 20-25% demanded by Baker and Baldrige.

Under present policies, the dollar, and world monetary and credit system, are doomed, either way. And waiting in the wings stands the Soviet Union, ready to take over in the wake of the collapse of the Western economies.

The deal with the Russians

As the dollar was pulled from its highest level, reached at the end of March, in the wake of the collapse of the Ohio privately insured savings and loans system, the Basel-based Bank for International Settlements, the central bank of central banks, announced that it had agreed with the Russians, that the ECU of the European Monetary System would be an instrument for financing activity between East and West.

The rebounding of the lira against the dollar may well prove to be the first flexing of the muscles of that new arrangement, a prelude to the deflationary wipeout of over $2 trillion worth of paper assets in the U.S. economy that is still to come.

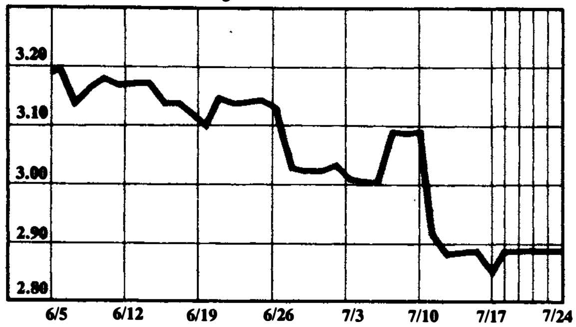
Thanks to Volcker, and his friends like Donald Regan, the United States and its allies in Europe have been locked into a course in monetary policy which is destroying the economies of both. It is a policy which only the Soviet Union can benefit from, as the austerity-ravaged economies of the United States and Western Europe sink beneath a mass of depreciated dollar paper. For this reason, Fidel Castro praised the "heroism" of Volcker in his recent conference on the subject of Ibero-America's debt.

Those who want the dollar to appreciate against the currencies of its allies and trading partners, like those who argue for the reverse, are playing foolish, and criminal games, with the future of the United States, and also with the future of our very civilization. There are no choices of the indicated sort within the present policy configuration, for they lead to the same result. Therefore, the policy as a whole must be replaced.

Currency Rates

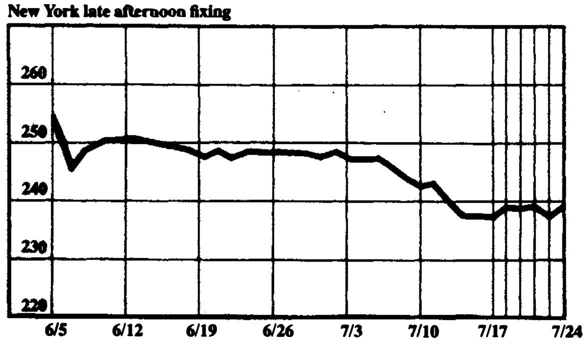
The dollar in deutschemarks

New York late afternoon fixing



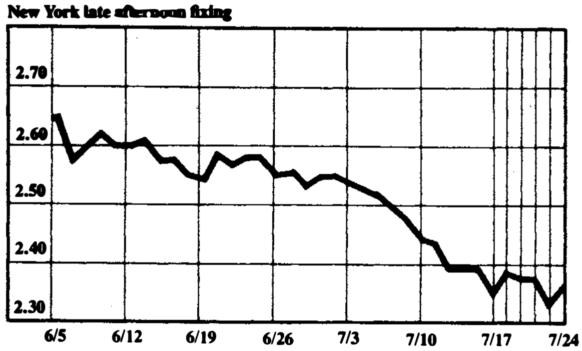
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing