

its true value in world markets. This subsidy is reflected in America's balance-of-payments deficit, \$100 billion in 1984, and likely to be one-third or more higher in 1985.

The American, and world economy, the BIS concludes, "cannot be based on an unsustainable pattern of external payments and exchange rates." The report intones: "A balance of payments deficit as high as the one the U.S. now registers, cannot last long. It implies, that the position of the U.S. as an international investor will rapidly worsen; and in fact, the richest economy in the world has, in the meantime, become a net debtor. Even if no-one can say, in terms of size and timing, where the limit of such a development lies, there can be nonetheless no doubt, that such limits exist. With respect to the high level of integration of global capital markets, and the speed with which the market for capital-titles usually adjusts to changing expectations, there is a danger, that the advantages of a further accumulation of dollar investments, could suddenly be viewed differently by market participants. If one visualizes, how important capital flows from abroad have been for the American economy, it becomes clear, that the interest level in the United States would be influenced by such a development, should it pass certain limits . . . What would happen, if this adjustment led to a new recession in the United States?"

Unless the United States cuts its budget, i.e., disarms, or destroys a significant section of its population under the poverty line, or both, the BIS concludes, the "integrated global financial markets" controlled by Dope, Inc. will pull the plug on the American economy.

BIS stalls bridge loan to Argentina

by David Goldman

Switzerland's National Bank, joined by the West German Bundesbank, broke up the central banking "safety net" that has held the world banking system together since the spring of 1982, with a June 12 decision to refuse bridging credits to Argentina. Argentina, six months behind in \$1.3 billion of interest payments owed mainly to U.S. banks, had just concluded an agreement with the International Monetary Fund for new loans, which, however, cannot be paid out for six weeks.

Since the Argentine interest payments are now more than six months overdue, American bank regulators are now required, by law, to force their American bank creditors to begin writing off the capital value of their Argentine loans—

a step which, if implemented, would have incalculable impact upon the crisis-wracked American banking system. Since the Swiss and West German central banks know perfectly well what the stakes are, the message they have delivered to Washington is unmistakable. It is the same as the one printed in the first pages of the Bank for International Settlements' annual report, released June 10: Unless the United States drastically reduces government expenditures, there will be a crash landing for the American banking system, the American dollar, and the American economy.

Tightening the screws

Argentina's chief negotiator, Mario Brodersohn, announced June 11 that a deal had been struck with the IMF, but could not be signed for another six weeks. But Argentina's application to the central banks' club, the Bank for International Settlements (BIS), was rejected by Switzerland and West Germany, on the grounds, as the Swiss bankers' daily *Neue Zürcher Zeitung* wrote June 13, that Argentina's "Alfonsoín government has exhausted the patience of its creditors, and it would serve no one to sanction this stance with new credit injections."

Besides, as the Swiss paper added, the conditions the IMF has put on the new credit are much rougher than anything the IMF has previously demanded of Argentina. They center on reducing the country's 1400% annual inflation rate by half, largely through wage-gouging. The IMF cut off credits to Argentina last March, when the country refused to hand over the pound of flesh previously demanded by the IMF.

The Argentine trade unions are expected to resist these conditions, the Swiss predict, and leading Argentine politicians protest that "the standby provisions of the IMF, as well as new money from the banks, will go, in any event, only for debt-service, not for economic revival; they conclude that Argentina will not, thereby, restructure its debt, but only pile up more debts, in order to pay off old ones."

The IMF's conditions include a 30% devaluation of the Argentine peso over the next year, a 12% cut in government spending, and (in effect) a 10% per month cut in real wages. Under the circumstances, it is not even clear whether the IMF will pay out anything after the six weeks are up. The *Washington Post* warned June 8, "It will be months before the IMF actually lends Argentina any money, because the international agency wants to be sure the nation actually implements some of the tough measures it agreed to take."

Since it remains uncertain whether Argentina will actually swallow the economic suicide-pill, as the IMF demands, the Bank for International Settlements will not provide a short-term bailout. The Swiss have thus offered a Hobson's choice to Washington: Either use its political muscle to crush a friendly nation's resistance to an economic program which would destroy it, or face an aggravation of a banking crisis that is already out of control.