expansionary course. A tax cut, for example, would simply aggravate inflation, leaving more money in peoples' pockets without increasing the production of the things they buy.

The only long-term solution would be a "Federal National Development Bank," according to Kaufman. Kaufman called "inadequate" the recent proposal by a partner of Rockefeller-controlled Lazzard Freres, another top investment bank, for a new Reconstruction Finance Corporation which would merely bail out bankrupt businesses. Kaufman's proposed bank would help finance "sorely needed new capital investments that are beyond the capacity of individual companies." Such an institution would finance energy projects and enlarged food production in the U.S., as well as government and private research investment institutions. The starting up of production that Kaufman has in mind is not an actual expansion of social reproduction, but labor-intensive fascist "redevelopment." But with the push for redevelopment projects presently stalled, the capitalists are left trying to choose between hyperinflation and deflationary bust.

The Rockefellers have not yet committed themselves to either "critical choice." Instead, as leading Rockefeller operative George Ball told IPS Dec. 20, different trial balloons are being sent up to see if any of them float. So far, none have.

ROCKEFELLER FACES "CRITICAL CHOICES" ON ECONOMY

Dec. 24 (IPS)--For the last two weeks, leading economic planners for the Rockefeller financier faction have found themselves in a "controlled aversive environment." Their press and private statements show that the parameters of this environment are being set more and more by the actions of the Soviet Union, the Communist Parties of Western Europe, and the International Caucus of Labor Committees, who have blunted the Rockefeller family's "world development" offensive.

The world of international finance has become a game of snakes and ladders where every step forward means a tumble into a nest of new and more serious problems.

From the standpoint of Rockefeller's development specialists, there are too many petrodollars washing about the Persian Gulf and backing up into the stagnant international capital markets. There are no large loans to be made for slave-labor projects, since the slaves haven't shown up for work yet. If there were, there is still no centralized financial institution able to handle this mass of short-term capital. In the Eurocurrency market, where half of the $185 billion market volume is tied up in overnight to 30 days' lending between banks, this "excess" could wreck the entire payments mechanism between banks, tumbling them like dominoes.

But Bankers Want More

But from the standpoint of Rockefeller bankers, who want to inject new money into the world economy in order to gain a breathing space, there are <u>too few petrodollars</u>. The existing petrodollar fund of about $60 billion is very thin compared to the $20 billion international payments deficit of Italy, France, Britain, and Denmark; a further $20 billion deficit in failing tax revenues in West Germany; a $35 billion U.S. Treasury deficit for fiscal year 1975, <u>plus</u> the $19 billion deficit of the Farm Credit Administration and similar deficits among 75 other government agencies; <u>plus</u> the $130-140 billion debt of underdeveloped countries as a group, a large portion of which cannot be repaid by nations like Chile and South Korea; and so on.

During the year since the October 1973 Mideast war, due to the effects of the Rockefeller-engineered oil hoax, the current earning capacity of U.S., Japanese, and European industry has fallen by 15 to 20 per cent. In the U.S., as this newspaper detailed last week, industrial production is falling at a 25-30 per cent annual rate--and production is piling up in inventories, unrealized from the standpoint of capitalist profit.

The economic dislocations produced by the oil hoax have led to a far greater shrinkage of the capitalist world's current earning capacity than the mere $105 billion in total oil payments for 1974. To prevent general chaos, governments, central banks, and leading financiers would have to pump massive amounts of new credit into the world economy. This would immediately kick the industrialized world's inflation rate from 10-20 per cent to 30-50 per cent.

For the moment, the Rockefeller faction has chosen the path of least resistance, reflected in yesterday's announcement by 40 major U.S. banks that they would save Chrysler Corporation from the bailiffs. Violating their stated policy of last fall, the Rockefeller faction led the effort to prevent a test-case bankruptcy, fearing that a default by Chrysler would touch off the U.S. credit bomb.

In Europe, the Shah of Iran's pre-payment of $1 billion to Italy and $1.2 billion to France in technology deals concluded this week points to the same kind of day-to-day expediency. Italy, and to a lesser extent France, are the sort of financial basket cases cited by Trilateral Commission banker Robert V. Roosa in his warning about an outbreak of "debt moratoria and political revolutions."

Chile, meanwhile, has arranged yet another rescheduling of its more than $1 billion debt coming due, the London Economist reports. South Korean sources told IPS today that their otherwise hopeless debt situation would be improved with an Arab loan.

"Soft Line" No Answer

As indicated above, there are not enough "petrodollars" to accomplish the scale of world refinancing required to avert an immediate breakdown crisis.

To bolster France and Italy, the Shah diverted most of his December oil payments, which cleared last weekend. This forces U.S. Treasury undersecretary Gerald Parsky, now in the Mideast to sell U.S. government bonds to the Arabs, to leave Teheran empty-handed.

But various Trilateral planners, such as Roosa, have insisted that the deficit of the U.S. Treasury and other government agencies must be refinanced by petrodollars. Otherwise, the government will be forced to unload several scores of billions in Federal debt onto the shaky credit markets--crowding out leading corporations and making credit even tighter.

The government's alternative is to print more money and buy up its own debt issues, a practice used only once in the advanced sector for an extended period--during the Weimar Republic of Germany.

All this adds up to a further collapse of the U.S. dollar, the mainstay of international credit and trade finance. To meet all bases, the U.S. will have to print scores of billions more dollars, over and above the petrodollar pool. But holders of dollars, watching this inflationary revival, would unload them as fast as possible for gold or other currencies--turning the fall of the dollar on international markets into a tailspin.

Two Threats to Dollar

There are two related threats to the dollar.

First, the value of the U.S. currency is based solely on the oil hoax. European nations were forced to convert $50 billion worth of their currency into dollars to pay off the Arab oil sheikhs during 1974. These dollars, intended for the petrodollar "development" circuit, never came back to Europe, artificially boosting the dollar's value. However, if the Shah continues to refinance Europe's debt with billion-dollar loans, these funds will revert to European currencies, ending the artificial prop under the dollar parity.

Second, a reflation of the U.S. economy during a period of industrial collapse--by military production or other means--means, in effect, refinancing $3 trillion worth of U.S. debts. Since the U.S. carries the heaviest debt load in relation to output of any economy in the advanced sector (barring Great Britain), the <u>scale of refinancing</u> is the largest. Thus, even in a general world reflation, the U.S. dollar would still inflate faster than currencies linked to the European economy.

For international banking, the effect of the current dollar collapse shows up in the shutdown of international lending in Eurodollars, or dollars banked outside the U.S. Approximately $2 billion in new loans was on line during the past month. However, the erratic fall of the dollar on the international currency markets forced bankers to pull in their horns.

During the past year, two banks--Franklin National in New York and Herstatt in West Germany--went down as a result of losses in foreign exchange dealings. A collapse of the U.S. dollar, implied by the financiers' "soft line," would tear up the fragile web of international banking.

Any major bankruptcy on the Eurocurrency market would compel the central banks of Europe, Japan, and the U.S. to provide between $5 and $10 billion of new credit to cornered financiers --turning the inflationary ratchet one more notch.

Credit Expansion Means 100 Per Cent Inflation

Should the Rockefeller faction commit itself to a new period of credit expansion--along the lines of 1970-1972--the stakes this time are not double, but triple-digit inflation.

Considering their "critical choices," the Trilateral crew are still testing out the possibility of reintroducing their "hard line"; so far they have had little success. Exemplary is the Shah's threat Dec. 19 to destroy the international monetary system if the Europeans use their gold reserves to obtain new credit. European press and governments alike ignored the Trilateral balloon, and, two days later, the Shah denied that he had ever made the threat.

While their day-to-day actions have been in the direction of reflation, the Rockefeller financier faction is sharply aware of where this road leads. Some desperate action from the cabal cannot be excluded--including a new adventure in the Mideast--in an attempt to resuscitate the "hard line" strategy of November.

NEXT PRESIDENT OF MEXICO "UNVEILED"

Dec. 24 (IPS)--The stir around the "nomination" of the next President of Mexico in mid-1975 is mounting as President Luis Echeverria carefully arranges to insure his own succession. Reports obtained by IPS indicate that Echeverria is considering circumventing the constitutional measure prohibiting him from serving more than one term by having his wife, Maria Ester Zuno de Echeverria, designated as the next President.

The pre-nomination atmosphere already has prompted the leftish Socialist Popular Party to announce, "The problem isn't one of names nor of men, it has to do with elaborating a progressive