by Dave Goldman

# Europe, Japan Take on Fed's Deficit in Attempt to Prop up Dollar

Sept. 16 (IPS) — The Finance Ministries and Central Banks of West Germany, Italy, France, Britain, and Japan this week decreed the collapse of their own economies as they fell into line with U.S. Federal Reserve Chairman Arthur Burns' domestic policy of wholesale government deficits. In real terms, it is a policy to gouge production in order to refinance debt. Between them, this reflex reaction will run up a projected $175 billion in government deficits in the major industrial nations this year alone.

European and Japanese production and working class living standards will be destroyed; the consequent government debt can only be refinanced by diverting all available liquidity from already plummeting industry, by means of massive service cuts and money-printing. the new round of cuts in corporate profits and wages will further deplete tax revenues.

The Atlanticists of the industrial nations are opting for a policy of national bankruptcy.

### Vampire Dollar

The continued toleration of the debt-soaked dollar's hegemony over international trade and finance over both Rockefeller's American agents and their factional opponents alike is the root cause of their suicidal policy. The post-war dollar empire was built on the export of dollar debt obligations in the form of Marshall and Dodge Plan credits. These massive credit injections were guaranteed by maintaining the working class at starvation level wages. European and Japanese economies were resuscitated on the basis of precarious ratios of debt to equity (real assets and income).

The textbook horror-case is Japan, where since the war, paper credit has mushroomed to produce 90:10 debt-equity ratios. Corporate profits and governmental agencies' revenues became increasingly drained in order to prop up the mountain of debt, thereby creating a huge federal deficit.

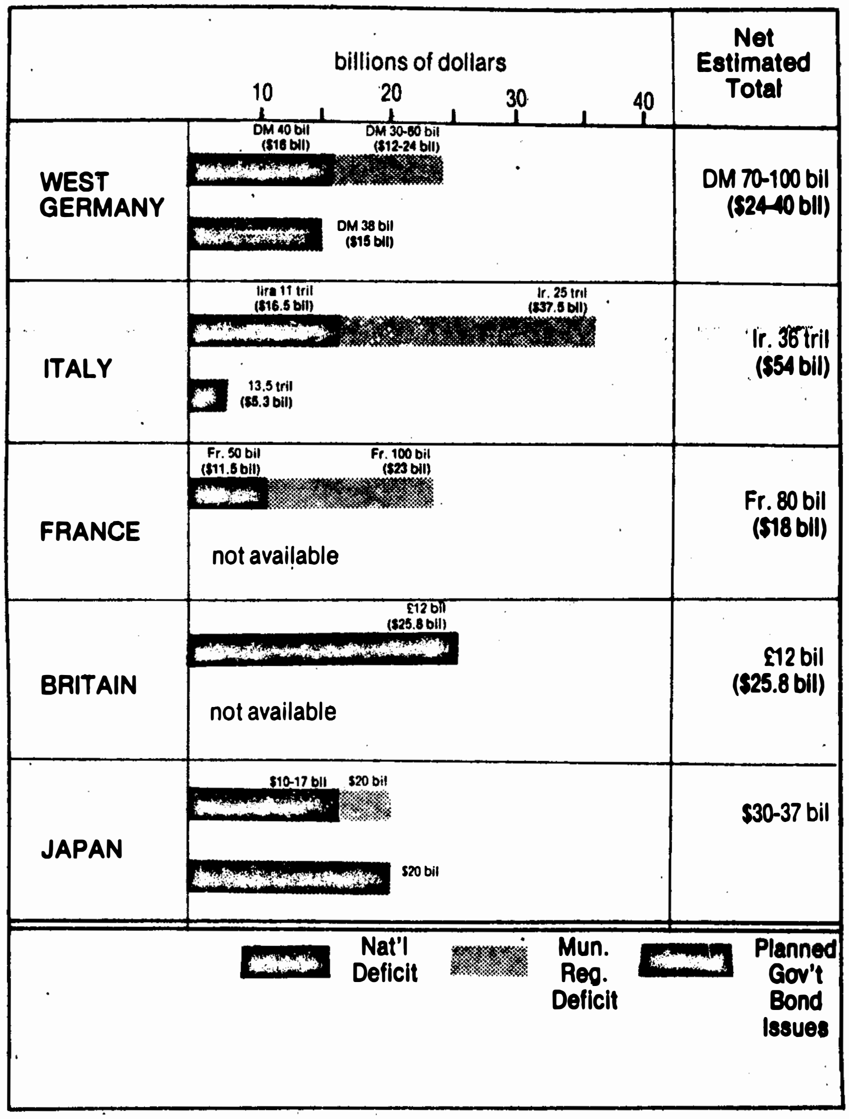
Furthermore, through the International Monetary Fund the Rockefeller axis has dictated that each nation's gold reserves must be frozen — that is, unuseable. This maneuver both prevents competition with the dollar and buttresses its faltering value. Gold reserves are thus useless for trade or to generate sound domestic credits. Secondly, the actual liquidity of those nations with significant immobilized gold holdings is much less than would appear to be the case.

The only factor now operating in the favor of the dollar is the commitment of the European and Japanese finance ministries to run Burns' style deficits at the expense of crucial funds needed to revive industry. This process will only destroy these countries' credit ratings against the dollar.

The result, however, of this mutually aggravated destruction policy will be a wave of municipal and state bankruptcies.

### Industrial and Working Class Triage

With New York and Euromarket interest rates at record highs, the West German Bundesbank Sept. 11 led the rest of Europe and Japan in a wave of interest rate cuts of 1 per cent and more, leaving West Germany with a 3.5 per cent discount rate, "the lowest in the industrialized world," according to the Financial Times. This maneuver was ostensibly designed to help cash-starved industrialists. However, the



Atlanticists have no such good intentions. The actual effect of the rate decrease will be millions flooding out of these countries into the Eurodollar market to prop up dollar liquidity there, now in danger of collapse from unpaid Third World loans.

Rockefeller agent Finance Minister Hans Apel also made clear Sept. 11 that whatever funds were left would be eaten up by government debt. The Bundesbank backs the indebtedness plans of the government, he said, "because corporations will not begin significant new investments until 1977 (!) at the earliest." The Bundesbank has already bought DM 4.3 billion of government bonds to hold down interest rates, and its 1975-76 borrowing needs are estimated at DM 38 billion ($15 billion).

In Italy, the municipal situation has become so aggravated that workers' lives are now on the line. The National Commission on Finances yesterday cut lira 187 billion from the already starvation-level lira 536 billion national budget for municipalities. Hardest hit was Naples which as documented by this newspaper has already been hit with cuts. The city's streets are filled with rats and garbage, caused by the general breakdown of water and sewage systems, and closed schools and hospitals. A full one-third has been slashed from the total Naples 1976 budget request.

Meanwhile Singer and other companies announced Monday that they were closing up rather than continue unemployment benefits.

Simultaneously, the national discount rate was lowered from 7 to 6 per cent, the prime rate from 14 to 12 per cent and lira 3.5 trillion ($5.3 billion) in choice 11.98 per cent Treasury bonds were issued, crowding industry out of the market.

British Chancellor of the Exchequer Dennis Healy meanwhile is sabotaging lending to industry.

Having run down Britain's reserves through debt-service payments to the point where "the cupboard is bare" according to the Daily Telegraph, Healy is now mooting an unheard of printing up of paper pounds to finance the government debt, rising at a 50 per cent annual rate. His 1976-7 budget now in preparation will include over 10 per cent in local government spending.

French delegates at the U.N. Special Session on Development this week, flew completely in the face of currently overwhelming pro-gold Gaullist support for dumping the debt-ridden dollar. "We agree completely with the American," one delegate recited, "and we have a lot of debt outstanding to the Third World, too."

While the French financial press complains sarcastically that the government has "rediscovered the virtues of the deficit," now estimated at an unprecedented Fr. 50 billion. Finance Minister Fourcade last week announced that he was "studying means to have a system similar to the Americans which permits creation of bonds which can be subscribed to by floating capital."

An emergency session of the Japanese Diet called to deal with the depression broke up in one-hour flat today as legislators failed to produce an alternative to Finance Ministry plans to finance a $30 billion government bond issue, a full one third of the total national budget of $102 billion, with a nationwide Big MAC. The Ministry proposes to use workers pensions and savings in its accounts to buy the bonds and then print yen to circulate through the banking system as Burns has done to consume the rest.

Currently a list of 30-40 "doubtful cases" — medium and large corporate candidates for bankruptcy — is circulating among Japanese security dealers, according to the Financial Times' Charles Smith. At the same time, the Finance Ministry Sept. 11 confirmed that Japan's imminent Fourth Reflation package will cut the bank rate by a full 1 per cent to 6.5 per cent and, pending Diet approval, could add yet another $6.7 billion in supplementary public expenditures, all of which would have to be floated on the bond markets.