Why The Dollar-Deutschemark Axis Couldn't Work

As is now apparent, the dollar-deutschemark currency axis proposed by the Atlanticists is politically unworkable. The plan, which would have looted Western Europe and the Third World through a series of forced currency devaluations and the imposition of Nazi levels of austerity, was economically unworkable from its inception.

It is premised on two interrelated horrors: the collapsing working class income by 20-30 per cent and the collapsing of purchasing power of the East bloc and Third World, thereby put in both Department I (the production of the means of production) and Department II (production of the means of consumption for the productive working class). What is left? Labor-intensive slave labor projects and arms production on the one hand, and the purely paper currency expansion (based on no production of real wealth) on the other. The latter will destroy what remains of the world monetary system in an explosion of Weimar-style inflation. The former will destroy the productive plant and the skilled work-force of the advanced sector, and sentence hundreds of millions to death in the Third World.

The insanity of the proposal is underlined by the Jan. 20 Money International newsletter of First National City Bank. According to the newsletter, there will be a massive boom in Europe based on the rapid expansion of the West German money supply, which they say would result in a 6 per cent rate of growth rather than a 4.4 per cent as projected by West German economists. Given the fact the 10 major trading countries (Western Europe, the U.S. and Japan) have on paper the largest proportion of trade with each other, this new arrangement (i.e. a dollar-deutschemark axis will form the basis for a holding action for Europe as a whole — a holding action until the "recovery" begins.

The newsletter then proceeds to provide paper calculations to prove that these plans will work. But beyond this bookkeeping ruse, the dollar-deutschemark scheme falls apart, into a nightmare of Schachtian levels of austerity and the chaotic collapse of the world economy.

What is the Western European Economy?

The Western European economy is the world's most finely tuned trading machine. Its internal relations must be taken as a whole, and conceptualized as a feeder operation for its vast export product. Over the last year, some $300 billion worth of product was exported. This breaks down roughly into $150 billion exchanged between Western Europe and other trading partners, mainly the U.S., Japan, the East bloc and the Third World. The remaining $150 billion was exchanged between European national sector economies — i.e. with Europe itself.

The exchange of goods and services between European national sector economies amounts to the majority of each country's exports. West Germany, for example, markets 50 per cent of its exports in Western Europe. What is being exchanged is the production of Department I, which is needed to maintain plant, equipment and nature, and the production of Department II, the goods and services, which are required to maintain the productive working class.

The destruction of this process is the entire premise of the "dollar-deutschemark" plan. By attempting to establish stable currency relations between only the U.S. and West Germany — **at best** — the Atlanticists are proposing to create a situation of endemic chaos among European currencies. With the currencies fluctuating wildly, trade will come to a virtual halt as no one will be able to tell the value of their goods from day to day.

The **net** profit of the European economy is realized in the form of $150 billion in exports to the non-European sector. This net profit was prevented from collapsing over the last year principally by increased exports to the Third World and East bloc; exports to Japan and to the U.S. were off sharply. But under the "dollar-deutschemark axis" arrangements, credit which has been made available for trade to the East bloc and Third World will be cut off in order to support weaker currencies from falling through the floor.

But the dollar-deutschemark policy poses another devastating contradiction. While the Atlanticists propose that somehow exports (non-European trade) will be maintained, they are deliberately deciding not to pay the absolutely necessary constant capital and variable capital costs required to maintain the productive labor power of the European working class. The enforced reduction in the exchange of goods, services and technology implied by the plan will thus destroy the ability of the working class to produce for profit — i.e. export.

Essentially, the Tindemans plan for increased arms production would substitute exchange of weapons systems for the previous intra-European exchange of Department I and Department II production. Leaving aside the question of whether such exchanges will be possible under the chaotic currency situation described above, such a substitution would destroy the basis for continued production in Europe. As should be obvious, one cannot eat jet aircraft nor ride to work in a machine gun.

While capitalist bookkeepers would assign monetary value to arms production, their manipulations will guarantee a breakdown of the finely tuned trading machine. As was the case the last time such policies were employed — by I.G. Farben, the Krupps et al in Nazi Germany from 1937-41 — the skilled working class of Europe will be totally destroyed.

As a result of such production policies — the only ones possible under the dollar-deutschemark or similar schemes — all currencies including the Deutschemark and dollar will suffer Weimar style inflation, since no realizable wealth will have been produced.