much less scope for action than last time. It is unlikely that interest rates will fall significantly over the next three to four weeks, and Fed officials believe that a sharp rise in rates must inevitably begin mid-summer.

Paul Volcker shares the same concern for the offshore markets as the Bank of England. No financial center would suffer more damage than London, the mother of the offshore markets. This danger has piqued British concern regarding the Swiss, but the gulf between the two principal branches of the European financial oligarchy is even more profound. Margaret Thatcher's circle purged the remnants of Lord Carrington's wing of the Tory Party from the British cabinet June 11 (see article, page 34) for fear of the success of the *Mitteleuropa* project cited above.

Ironically, the British are now considering the eventual necessity of orderly negotiations with an Ibero-American debtors' cartel, according to a spokesman for Foreign Secretary Sir Geoffrey Howe, for both financial and strategic reasons.

The Swiss National Bank is painfully aware that a crude or obvious Swiss role in the collapse of the Brazilian debt would be a priceless gift to their worst enemies inside the U.S. administration. Although Treasury Secretary Regan and Secretary of State Shultz still have management of the Third World debt issue, an important group of President Reagan's advisers in the defense and security sphere have warned him that the United States has walked into a deadly trap by accepting the discredited IMF approach to Ibero-America. They argue that Regan and Shultz have misled the administration by insisting that a combination of world economic recovery and IMF austerity would contain the debt problem. Detonation of "the debt bomb" could destroy America's world political role unless the administration finds a means toward a political agreement with its southern neighbors. These advisers identify the "Carrington wing" of European politics as scavengers who seek to benefit from such a disaster to the advantage of the Soviet Union and the disadvantage of the United States.

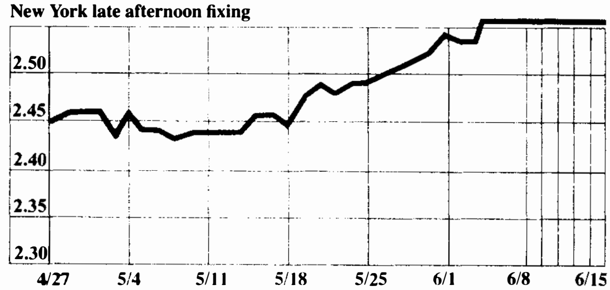
Although contingency plans for a U.S. response to a Brazilian debt moratorium remain classified, it is known that one option is the enhancement of Export-Import Bank credits to Ibero-America and a global agreement to reduce debtor nations' interest payments to a negotiated portion of export receipts. What the Swiss fear most is that the United States and the Ibero-American governments will reluctantly strike a deal similar to *EIR* founder Lyndon H. LaRouche, Jr.'s year-old "Operation Juárez" plan for debt rescheduling on behalf of industrial development.

For public purposes, Leutwiler chose to recommend flexibility on the part of the IMF and continued lending by commercial banks to the debtors. Neither will occur, not in time to prevent the collapse of Brazil's foreign payments in any case, and Leutwiler knows it; out of the other side of his mouth, he has told the Swiss banks to shut their loan books. He is no less dangerous for the softening of his public profile.

Currency Rates

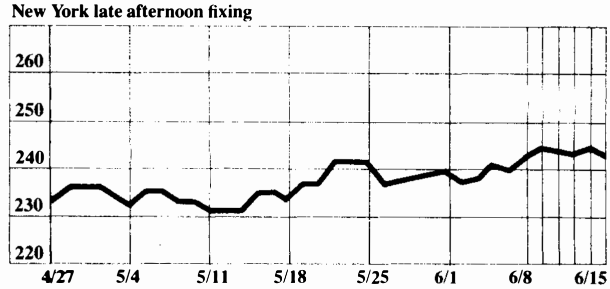
The dollar in deutschemarks

New York late afternoon fixing



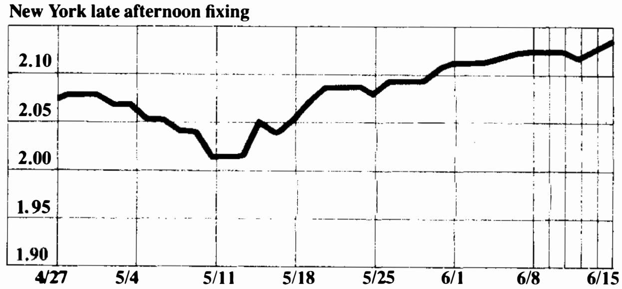
The dollar in yen

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