

A: We've been expecting something like this for a while. I'm not surprised. I was just talking to — at — Bank and their reading is that trouble has come up in Europe, the Europeans are going to do something with the Third World.

Q: What precautions are you taking?

A: We don't have to take any. We've taken all the precautions necessary. We don't have any holdings left in the New York banks. We've gone into regional banks.

Q: Which ones?

A: Oh, Republic of Dallas, Mellon Bank, Northwest Trust in Minneapolis. These banks don't have the kind of foreign exposure New York does. Republic has some, but Northwest, the most they might have is a few grain financings.

Q: But Lazard used to be Chase's investment banker.

A: Not any more.

**HAROLD VAN CLEVELAND, CHIEF
OF INT'L ECONOMICS AT CITIBANK**

NSIPS: Mr. Cleveland, what are Citibank's plans in the event of a declaration of debt moratorium on a unilateral basis by the Third World countries, which according to our sources will occur during the current United Nations General Assembly.

Cleveland: We have no preparations and no plans. We just don't believe it will happen. These countries would never get any money again. They won't slit their own throats.

NSIPS: We understand that Italy is ready to support a number of Third World nations who are already planning such an announcement for Monday. Investors have already begun to pull out of New York banks.

Cleveland: Do you really think they'll do it? Which countries? Who? Who?

NSIPS: Well, some Caribbean nations and a number of others, who are consulting with Italy.

Cleveland: No, it's not possible. They won't do it. They can't.

NSIPS: Are we to understand that you are not prepared at all?

Cleveland: I answered your question. It won't happen, that's all....

**DIRECTOR OF INTERNATIONAL OPERATIONS
AT AMAX(AMERICAN METAL CLIMAX)**

NSIPS: What are your plans in the event of a declaration of debt moratorium on a unilateral basis by Third World countries, reportedly during the current United Nations General Assembly session.

AMAX: Why should I talk to you about this? What does the U.S. Labor Party really do?

NSIPS: The Labor Party has been coordinating this from the beginning with the Third World.

AMAX: Forget it. I know about this already. There aren't more than 20 countries and \$5 billion involved in it. We can handle it. What are you really after?

NSIPS: We want to safeguard the bulk of U.S. industry and banking from the resultant Euromarket collapse. You should really reconsider the question we are...

AMAX: Are you threatening me?!

NSIPS: Of course not, sir. But you seem nervous, as if you may have seen today's Washington Post and know...

AMAX: I don't have time for this....

Sterling Takes Its Turn In Eurodollar Collapse

Sept. 21 (NSIPS) — The panicky run out of the British pound raced ahead this week, sending the pound to a new historic low today and wreaking havoc with British credit markets. Two days ago, the pound slipped to \$1.71 from \$1.78 ten days ago, and bankers expect it to go straight down the pipe. British "gilt-edged" government securities — once esteemed as the safest investment in the world — cannot be sold now except at Third World interest rates. The British buffer currency, which served as a shock-absorber for the dollar in the past, is now dragging the bankrupt Eurodollar down with it.

For weeks the British have been paying their bills at home by buying up British pounds dumped on the international market — with borrowed dollars. The \$5.3 billion loan the British received from the U.S. and West Germany is almost dried up. Now the IMF cannot provide more credit to keep Britain — or Denmark, Italy, or West Germany — afloat. As frightened New York Federal Reserve officials admitted yesterday, the collapse of the pound is the lurid writing on the wall that the International Monetary Fund, the centerpiece of the dollar empire, is bankrupt. With the Atlantic alliance that formed the IMF splintered, the entire refinancing operation that has kept the Eurodollar swindle is through.

Britain Tries to Catch Its Tail

Fueling the run on the pound is the huge government deficit which has forced the Bank of England to monetize ever larger portions of the government debt, producing an explosive 16 per

cent annual rate of money supply growth. The British Treasury's borrowing requirement this year is staggering — almost equalling the present size of the (narrowly defined) British money supply, the Financial Times reports.

Moreover, every downward-ratchet of the pound compounds the crisis; it becomes increasingly difficult to market government debt since investors anticipate more inflation and another rise in interest rates. The Bank of England is then forced to buy up (monetize) the unsaleable government securities — using last June's \$5.3 billion loan. These funds are then injected back into the money supply creating still more inflation, and leading to another pound collapse, in an endless vicious circle!

As a result, the government bond market utterly collapsed in August, forcing the Treasury to borrow directly from the banks a huge sum of 878 million pounds. This week, the Treasury was forced to announce a 600 million pound (\$1.03 billion) bond issue at an effective yield of 18 per cent — the highest rate ever reached by British "gilts."

There is no end in sight for the pound decline, foreign exchange traders say; the Bank of England is making only the feeblest efforts to support the currency, since the \$5.3 billion loan is running out fast. The collapse in U.S. interest rates — a direct result of the failure of the U.S. recovery — is attracting funds away from the dollar, worsening its already miserable plight.