

## Brzezinski's Command Economies: 'A Nice Way Of Saying Fascism'

*The Overseas Development Council, which styles itself as a "liberal" version of the Brookings Institution, last week released their 1977 program under the title "Agenda '77." Couched as a series of proposals to the Carter Administration, the major strategic aspects of the report have in fact already been approved by National Security Advisor Zbigniew Brzezinski.*

*According to press reports, the ODC's Agenda '77 includes: the promise of debt relief for the "worst cases" among the lesser developed countries (LDC's); a Brookings-type common fund commodities mechanism; the establishment of a World Energy Council; convocation of a world conference on alternative energy sources; cutbacks on international arms sales and distribution; increased U.S. aid to the worst-off LDC's; a more comprehensive human rights program; a mechanism for securing 10-15 billion dollars for the IMF containing a provision for IMF aid to the LDC "worst cases."*

*The real content of the report is spelled out in the following interview with the ODC's Paul Watson, who was instrumental in drafting the report.*

Q: Press accounts of "Agenda 1977" indicate that this report was specifically written as a policy proposal for the Carter Administration. If this is so could you indicate the Administration's response to the report?

A: Yes, the report was intended as a policy statement for the Carter Administration. In fact one section of the report contains a letter to Jimmy Carter. It was written by Roger Hansen and sets forth a number of policy options for the developing world. I know Brzezinski has read the document and approves of the thrust. Hansen, in fact, is now Brzezinski's top staffer on the North-South issue.

### Kissinger Joins Chase Manhattan

Henry A. Kissinger, former U.S. Secretary of State and 20-year personal foreign policy advisor to Nelson Rockefeller, has been appointed vice-chairman of Chase Manhattan Bank's International Advisory Committee. Early next year, he will replace John Loudon of Royal Dutch Shell and the committee's chairman, the New York Times reported March 22. According to the Times, "David Rockefeller, chairman of Chase, expressed delight, 'that a person of Mr. Kissinger's stature and achievements...has agreed to lend his considerable expertise to Chase.'"

Q: Since I have only read press accounts of the report could you elaborate on the specific policies, particularly those policies geared to the international debt situation?

A: Let me first run down how I see the international debt situation. There are two categories of heavily indebted countries. There are the countries with very low national income — the LDCs — which aren't going to make it unless they get more concessional loans. Zaire already defaulted. If these LDCs all defaulted, it would not be serious in terms of its economic impact on the banks. But it would be a terrible human tragedy. It would be psychologically very bad for the economy.

The real problem is with the middle and upper income countries like Thailand, the Philippines, Brazil, and even some European countries. The OPEC oil price rise really hit them and most of them ran up a big deficit. Who was going to finance the deficit? The banks moved in on this. If they hadn't it would have caused a major contraction of the economies. This overextended the banks — particularly the U.S. money centers which financed two thirds of the debt. The only thing that partially saved the situation was the inflation.

Q: Could this second group of countries weather another crisis like '73-'74 oil price rise?

A: I don't know what would happen. I don't want to think about it.

Q: So what do you see as the solution to this situation? What are your proposals?

A: The Common Fund is important in putting a floor on commodity prices . . . The main thing is that consumption must be cut. This second group of countries I talked about must increase their capital base rather than consumption. They must also adopt petroleum-saving measures.

Q: Do you think this is realistic? It seems that most countries have tightened their belts as far as they can without unleashing political unrest.

A: You are right but we must put clamps on the economy. I suggest establishing an external debt management system which can be run out of the central banks of possibly the treasury. This management system can look at the debt situation and decide what to recommend. Generally, it has to be to force countries to increase internal savings; more aggressive exports and throttle-down the economies.

Politically can it be done? That's the problem. The way I see it only command economies can do it. Without command economies, developing sector nations will be unable to repay their massive debts. Mind you I'm not advocating these kind of economies but . . .

Q: What do you mean by "command economies?"

A: You know, it's a nice way of saying authoritarianism or fascism like what we have in Brazil or Korea.

Q: I've heard people make charges that the Rockefellers would like to institute a few more "command economies." What do you think?

A: I don't want to speculate but you may be right. (laughs)

Q: What countries do you think are in the most trouble?

A: About a year ago the Treasury Department gave out — this is off the record, right? — with a list of the countries in most trouble. Israel and Egypt headed the list but this was because of their military spendings and therefore they are put in a different category with less concern attached. Sudan, Peru, Chile, Argentina, the Philippines, Zaire, Indonesia, Korea, India, Pakistan and Chad were all on the doomed list. Mexico is a new addition but because of their large oil reserves and a more favorable regime the investors are looking at Mexico more favorably.

Most will pull through with a little help from their friends. (laughs)

Q: Do you see the IMF and the World Bank as the main institutions to prevent defaults.

A: Yes, these are the "friends" I was talking about.

Q: Some of the Third World countries have threatened to declare a general debt moratorium and junk the IMF. What is your reaction?

A: I think they will think twice because they know we

would isolate them . . . shut them out entirely from any future market.

Q: Won't they just move closer to the Soviet Union particularly with all this talk about a transfer ruble and the actions that Italy has taken?

A: Yes, that's a frightening thought. The main thing again is to put a lot of pressure on them around the threat of being totally isolated from the money markets.

Q: Changing the subject somewhat, I have come to the conclusion that energy development is the key determiner. If the developing sector can't develop cheap and abundant energy, I think they are pretty much doomed. What do you think?

A: I strongly agree . . . that's why the ODC and myself propose the development of wind and solar power. Oil is no longer a real option because of the price. You know I think oil has reached a proper price but the bad thing is that it all happened at once. If the price started going up in the 1950s and rose gradually, it could have been absorbed and economies could have made adjustments.

Q: Come on now, you don't really think that wind and solar power will provide the developing sector with the energy needed, do you? I think nuclear energy is our only option.

A: Nuclear energy scares me. Jim Howe here at ODC is a recognized expert on energy and he has fully briefed me on the political ramifications of nuclear energy.

Q: Well, I think we have a choice between nuclear energy and letting these countries go down the drain.

A: If I had to choose, I would rather see them go down the drain.

## 'Rearranging The Deck Chairs On The Titanic'

*In testimony before the Senate Foreign Relations Subcommittee on Foreign Economic Policy, Richard Cooper, Undersecretary of State for International Affairs identified four major structural problems facing the world economy: 1) the major balance-of-payments surplus held by OPEC (otherwise broadly identified as the \$45 billion deficit of the rest of the world); 2) the gross external debt of the Less Developed Countries, and certain advanced sector nations; 3) protectionism; 4) deficiency in world demand.*

*The following interchange is between Subcommittee Chairman Frank Church, Jerome Levinson, Chief Counsel to the subcommittee, and Cooper. Church and Levinson question whether or not the State Department has developed a solution to the impending international financial crisis.*

*Church: This is very disturbing. It would appear from the world economic tendencies as you have described them that we are headed toward a serious economic collapse like that of 1929. (emphasis added) This is a dramatic problem that requires dramatic solutions.*

*Cooper: Yes sir. So it is. We cannot assume that if economic disaster hasn't hit us that it will not hit us in the future.*

*Church: What is it that has to be done?*

*Cooper: We need to restructure the balance of payments of the petroleum importing nations....*

The International Monetary Fund has anticipated the approval of additional quotas (to these countries) and has already begun lending more money. The Fund cannot proceed as usual in its negotiations in the present circumstances.

Those countries very badly in debt must take the necessary adjustment measures to avoid impairing their credit-worthiness. This is going to mean difficult economic adjustments. It's going to mean taking investment away from consumption. Even with these measures, the debt will increase, but it will be manageable.

The large private banks are severely over-extended. We have to find ways for the IMF and the World Bank to pick up this slack.