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 expect 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.

Levinson: Mr. Secretary, can you tell us precisely what is President Carter's policy regarding commodity agreements?
Cooper: The U.S. cannot accept the UNCTAD position regarding prior financing of commodities agreements before knowing what these accords are and what they're going to be used for.

Nevertheless, once the United States knows how these agreements are going to be structured and what they're going to be used for, it will support the creation of a common fund that can be used from one (given) product to another. For example, if the coffee reserves are being sold out and a country wants to buy steel, the Common Fund can be transferred from one product, coffee, to another, steel.

The U.S. would support this type of financing, but has said that it wants to see first how each individual agreement will look.

...The U.S. is worried, very worried, about the reduction in investment and resources for development. I mean in terms of developing raw materials, this should be done by the IMF or the World Bank.

Church: Who is going to finance this fund?
Cooper: Contributions to this fund — the Common Fund — will come as the result of individual case-by-case agreements among producers and consumers.

Levinson: Would the Group of 77 accept the IMF and the World Bank as administrators of this Common Fund? In other words, who is going to control this Common Fund?
Cooper: This whole affair is barely in its formative stages. But I assume that the control of the Common Fund would be exercised through individual resources and commodities between the consumers and producers.

Levinson: Who will have the majority?
Cooper: It would be half-and-half, although I don't know if the lesser developed countries would accept it that way.

Levinson: Frankly, Mr. Cooper, I would like to ask you directly if the U.S. is abandoning the Kissinger plan of creating an International Development Bank. This Common Fund looks to me as though we are abandoning the plan....
Cooper: We are not abandoning Kissinger's idea which is only an idea and was only an idea. We believe that perhaps there are better ideas.

Levinson: What...?
Cooper: The World Bank, throughout its history, has always stayed away from financing the development of natural resources, and we are suggesting that perhaps it could begin to move more into this area.

Levinson: Developing natural resources?
Cooper: Yes, sir.

Levinson: I ask again — financing the development of natural resources in developing countries?
Cooper: Yes, sir.

Levinson: This is totally new. This indicates that U.S. contributions to financing institutions will be designated to develop natural resources of developing countries. Is this what you wanted to say, Mr. Cooper?
Cooper: Of course. We all have to politically recognize the enormous problems that have been created between the multinational corporations and the less developed countries. Politically we must confront the fact that the less developed countries are not going to allow the multinationals ownership of their natural resources. We have to politically confront the fact that the development of these resources will have to be realized another way.

This is why I believe that there are other, better ideas, much better, than Kissinger's International Development Bank.

Levinson: Mr. Secretary, does this mean that the U.S. is going to revise its positions in the World Bank and in the Inter-American Development Bank to change the rules of these organizations so that they can provide funds to national development organizations such as PEMEX (Mexican state-owned oil company — ed.) which traditionally have been funded only by the commercial banks?
Cooper: Yes, sir.

Church: In other words, Mr. Secretary, what I think is that we haven't found a way to contend with OPEC capital accumulation and all that you have discussed here today is only rearranging the chairs on the deck of the Titanic.
Cooper: We are trying to find better ways, Senator.