Click here for Full Issue of EIR Volume 4, Number 25, June 21, 1977

performance in the first quarter."

In short, even with the most ferocious wage-gouging and dumping of dollars into an inflationary military build-up, Nelson Rockefeller's plan just won't work.

The "Ghost in the Machine"

What the gentlemen of the OECD do not say is that their prescriptions deal only with the side-effects of a return to Nazi military economy — the core of Nelson Rockefeller's proposed economic "deal." Indirectly, the worried editors of the London *Financial Times* point to the big gap in the OECD report in an editorial June 10:

> "It is on the broad central issues of economic management that the report is understandably but unfortunately the weakest. There is a long discussion of the desirability of growth and the risks of stimulating, which ends by assuming...the appropriate growth rate by reference to a purely imaginary growth 'potential,' a ghost in the machine which is apparently undisturbed by falls in investment or structural changes."

Presuming that the *Financial Times* editors are well-informed, the "ghost" they fear speaks fluent Nazi German. President Carter's chummy talk last week with Republican Senators about his revival of the B-1 bomber pork-barrel indicates which way U.S. economic policy will go.

In Western Europe, France has become the first major country to make a Nazi military buildup a matter of public national policy. French General Mery announced in a recent speech that France will undertake development of the so-called cruise missile, the utopian strategists' updated version of Hitler's silly buzz-bomb. In addition, Mery said, the French military industry will be mobilized to increase the range of its nuclear-tipped Pluton rocket from about 70 to 100 miles — far enough to strike into East Germany. Pro-Rockefeller French President Valéry Giscard d'Estaing last week put public funds behind Mery's ravings by nationalizing the leading French aerospace firm, Dassault, the manufacturer of Mirage aircraft. In addition, there are some indications that there was an attempt to put together a European-wide deal for rearmament and civil aircraft boondoggles during last week's Paris Aerospace Fair.

Seen in proper context, the OECD report attempts to condition American conservatives and Western European governments to accept the economic consequences of Nelson Rockefeller's *strategic* plan for a three-year accelerated military buildup for confrontation with the Soviets. There is a cunning imitation of conservative economic jargon about avoiding over-stimulation of economies, and "transfer of real resources" to the Third World — but even the one Third World economist on the task force, Turkish economic planner Attila Karaosmangoglu, denounced the report as "sterile and empty" as far as the Third World is concerned. The contents of the report have as little to do with the "conservative" actual economic views of U.S. industry as Milton Friedman's plan for "financial stability" in Chile through a reduction of per-capita food consumption to less than 1500 calories a day.

Once governments establish "medium-term budgetary targets," including B-1 bombers, cruise missiles, and other "wonder weapons," the OECD economists say, they must ensure there are sufficient "savings" to finance government expenditure. "Savings" will come from putting "an equity element into wage payments," where wages are partly in the form of share issues and dividends, or profit sharing. On top of this, governments should "facilitate any structural adjustment needed in the relation between labor costs and output prices," to deal with the fact that "markets have shifted to a permanently higher level of real wage costs."

Old Schacht would have grinned: his compulsory employment-insurance, savings, "charity," and "peoples' car" deductions from workers' salaries skimmed off a quarter of Nazi Germany's wages bill.

Hitler won over the German industrialists with military orders and an enslaved labor force. Under the OECD plan, governments will go in for direct wage-busting, because the "higher level of real wage costs" is the cause of "a reduced willingness to invest associated with lower profit expectations." At the "decentralized level" of labor-management negotiations, governments will intervene directly to prevent local strikes from winning "excessive wage rises."

Internecine Banking Warfare Erupts

BANKING

Coinciding with this week's warning by Bank of International Settlements chief Jelle Zjilstra concerning the gravity of the international debt crisis and the failure of the IMF to assemble the necessary bail-out funds, British Rothschild and other European financial interests are scrambling to take up "hard commodity" fall-back positions. Although most European bankers are, understandably, reticent on this topic, their recent investment activities indicate that they are attempting to carve out those productive sectors of the world economy which will still be profitable in the event that large portions of Third World debt must be frozen. Should a Eurodollar market crash occur, the Rothschilds and other European interests aim to emerge "on top," leaving the Rockefeller-allied New York banks to fall where they will.

A recent interview with a source close to N.M. Rothschild's in London confirmed that the Rothschilds are operating on just such a collapse scenario, while insisting to the general public that the crisis is not all that severe. "The Banks overlent to the wrong people, and

© 1977 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

underlent to the right people," this source commented. "All the elements are there for a collapse. Now I don't think the pack of cards will fall because too many people have an interest for it to stay."

Another leading London banker with Rothschild connections expressed great concern over the debt buildup: "If the banks become overexposed, they will draw in their horns, and it is indispensable that international official agencies buffer the private sector...I still cannot believe that means cannot be found, but I have no proof for that, I must concede...People are scratching around to find something...Some of us, and in fact me personally, warned a few years back that we would get in trouble, but I must say that prominent economists now in U.S. Administration jobs pooh-poohed it." Asked whether he meant U.S. Treasury Department Under-Secretary C. Fred Bergsten and State Department Under-Secretary Richard Cooper, the source assented: "Bergsten treated me very cavalierly; Cooper took another position."

Another British bank spokesman, Lloyds Bank head Jeremy Morse — the former chairman of the IMF Committee of 20, responsible for creation of the SDR (Special Drawing Rights) "funny money" — recently reversed positions and called publically for a "gradual but steady" return to fixed exchange rates. According to a *Neue Zuericher Zeitung* account of his speech to the Atlantic Institute in Paris on June 10, Morse not only stated that fixed rates are indispensable but hinted at the necessity of a new Bretton Woods.

Move Into Mexico

The current expansion of British banking activity in Mexico epitomizes their scramble for "hard commodity" positions. A conference of top British bankers was held in Mexico this week, including Leopold Rothschild himself, and leading executives of Lloyds Bank, Morgan Grenfell, Bache Halsey Stuart London Ltd., and the Bank of England. The British Ambassador to Mexico spoke at the conference of the similarity of Britain's and Mexico's position as oil producers, proposing that the British apply their technology to the development of Mexican oil. According to the *Financial Times*, a second delegation representing the British Offshore Centre will visit Mexico shortly to discuss with the Mexican state oil company, PEMEX, the possibility of European companies supplying equipment and services for Mexican offshore oil exploration.

The British offer to develop Mexican oil is a sharp affront to the Rockefeller interests which have been attempting to persuade the Mexican government to place their oil operations under complete U.S. control — thereby guaranteeing the repayment of loans to New York banks. The position of Mexican President José López Portillo is rather that the oil proceeds be reinvested in Mexico's industrial development.

Leopold Rothschild's trip is particularly significant, Mexican banking sources say, because the Rothschilds have hitherto played a "passive" role in Mexico and tried to stay out of the public light. In March, N.M. Rothschild's suddenly emerged as manager of a $350 million syndicated loan for PEMEX — the largest loan Mexico has received so far this year.

The Rothschild bank has further announced the formation of two investment banks in Mexico and Brazil respectively, with the participation of local banking groups, whose purpose will be to channel foreign capital into industrial enterprises.

The Rothscilds are hardly alone in their new-found interest in Mexico. A "co-investment fund" has just been set up with the Mexican government, involving Société Generale (France), Banco Commerciale Italiana (Italy), and Grindlay Brandt's (Britian).

In addition to the March PEMEX loan, European banks have tended to dominate other loan syndications for Mexico — taking advantage of the fact that U.S. banks are "overextended" in the area. The latest syndication managed by Lloyds Bank and the Libra group, a consortium which includes Chase Manhattan and several European banks, was so successful that they managed to raise $300 million from European and Japanese banks in London before the loan was even offered to the New York market. The loan managers had originally aimed at a minimum target of only $200 million for the Mexican state bank Nacional Financiera.

The fact remains, however, that Mexico must pay at least $4 billion in debt service on its medium and long-term obligations during 1977, with the bulk of this falling due during the third quarter. It is extremely unlikely that European banks would place their funds in Mexico simply to bail-out U.S. bank creditors. Instead, the European banking interests will tend to converge on the viewpoint that most of the Mexican debt obligations must be either frozen or forcibly "rescheduled"; otherwise profitable investment in Mexico would be impossible.

Rockefeller Anti-London Maneuvers

While the Europeans attempt to displace Rockefeller in Latin American, the Rockefeller interest is in turn threatening to detonate a major London banking crisis via protectionist U.S. shipping legislation. Total bank loans outstanding to the largely bankrupt tanker industry are $38 billion, with only $6 billion of this held by the New York banks and the rest centered in London. The Rothschild-connected Hambros Bank holds the lion's share of the tanker debt. Legislation currently pending in the U.S. Congress would require an increase in the percentage of U.S. oil imports carried by U.S. flag-bearing tankers, thereby knocking the props out from under the European shipping industry. A Soviet-British shipping agreement, which is now being worked out, could cushion the blow, however.

One Rothschild source, when told that the U.S. protectionist measures represented Rockefeller financial warfare against London, warned: "I cannot rule that out...But we must avoid the burden falling on any part of the banking system, not only because of the banks' profits but because of the domino effect...They're playing with fire."