

account surplus in order to take strains off the dollar. The bankers' argument is that if the two big trading companies export less and import more from the Third World, they will create more export income and take away less foreign exchange from the debtor countries, easing the LDC's payments positions. In addition, by running a smaller surplus against the dollar, the West Germans and Japanese will reduce the relative magnitude of the dollar's deficit, and take some of the strain off the U.S. currency. The bankers *EIR* interviewed believe that the Treasury should threaten the West Germans and Japanese with protectionist sanctions against their products, since they will not cut their own economic throats voluntarily.

Treasury Secretary Michael Blumenthal's remark at a Thursday morning press conference that "a new wave of protectionism will emerge in many countries, including this one, and justifiably so" if the West Germans and Japanese keep trading, appears to follow this general approach. Blumenthal's statement is by far the strongest on record from any Administration official.

#### *The Position of Congress*

As Witteveen emphasized in the press conference following the Sept. 25 Interim Committee meeting, most of what the IMF can do in the short-term depends on passage of the Witteveen facility through Congress. However, according to senior World Bank and IMF staff, total uncertainty prevails on this front. The Witteveen facility, now in hearings before the House Banking

Committee, will not even come up for a vote in the Senate until next year, and dozens of pitfalls stand in its way otherwise. A core of congressional conservatives is committed to stopping the facility, along the logic of the Sept. 26 editorial of the *Wall Street Journal*. The *Journal* called the facility "the Bankers Relief Act of 1977," and attacked the IMF for imposing "grinding austerity" upon debtor countries.

There are some indications that a conservative steamroller is in the works to defeat Congressional passage of the Witteveen plan. For example, a former senior Nixon Administration official, Wilson E. Schmidt, a former Deputy Assistant Secretary of the Treasury, attacked the facility in Congressional Testimony Sept. 30. "The proposal," Schmidt told a House Banking subcommittee, "adds to this borrowing-money creation-inflation process... the proposal may reduce our real income, move away from clean floating, and, along with other measures to expand the Fund's resources, adds to world inflation."

#### *The Europeans and a New Monetary System*

At the moment, according to top-level Western European sources, Europe is not prepared as a whole to follow through the implications of its scuttling action last week and break with the dollar. However, powerful forces inside Europe are, and are looking for openings to start the ball rolling.

The first problem on the agenda is what to do about the British, whose government has been the chief ally of the

## Raymond Barre: 'The World Economy Suffers From Absence Of A Real International Monetary System'

*The following are excerpts of an interview of French Prime Minister Raymond Barre — who just returned from Washington, D.C., and is now in Moscow — conducted by Le Figaro's Alain Vernay in the Sept. 28 issue; the questions are not included:*

"While in Washington, if I insisted on the importance of the problems of the Middle East it is because we must seek to reduce tensions in the world and those which manifest themselves in this region are cause for the most concern. I will also bring up this problem in my talks with Soviet leaders... It is in the interest of the balance and peace in the world for the Soviet Union to be associated with the solution of the problems relative to the relations between developing and developed countries. A new international economic order cannot be durably established if a great country, having world responsibilities like the Soviet Union, keeps out of the efforts made to build it and the mechanisms which could be set up to ensure it..."

"The monetary conflicts have been appeased over the last two years thanks to an international monetary cooperation which has allowed us to avoid the collapse of the 1930s... This is significant progress, but it cannot allow us to forget that the

world economy is presently suffering from the absence of a real international monetary system and that this will only be able to be re-established when the participating countries will have restored the fundamental balances of the economy and will maintain them by respecting individual and collective discipline... If monetary conflicts are particularly acute, it is because money is the synthetic expression of economic activity and also because — which is too often forgotten — money is power..."

"(West) Germany suffered on two occasions from a galloping inflation whose social and political consequences were dramatic. German psychology has been marked by this for a long time. One cannot hold it against a country and a government for being attached to the stability of their currency... Let me also recall that the BRD and Japan are important exporters of capital and thus contribute to the support and development of economic activity in other countries..."

"... I have the feeling that the American leaders have understood that if we have an independent policy and have no intention whatsoever of giving it up, we are nonetheless disposed to contribute to the solution of international problems and put all our means at the disposal of peace and cooperation between people..."