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Hodges Junior: no better than Senior?

On June 28 Luther Hodges, Jr. was confirmed by the Senate as Undersecretary of Commerce, the number-two post in the Commerce Department.

The *New York Times* has been so eager to get Hodges into the number one post—at present occupied by Juanita Kreps—that it ran an interview with Hodges in its Aug. 11 edition in which he was featured as the new "Commerce Secretary."

But the more egregious falsehood in the *Times* article was the claim that under Hodges the U.S. will enjoy export development and "a fundamental rebuilding of American industry." The career records of both Luther Hodges, Jr. and his late father, Luther Hodges, Sr.—Commerce Secretary under President John Kennedy—suggest the contrary.

WORLD TRADE

Field hand

To understand the son it is necessary first to understand the father. Luther Hodges, Sr., governor of North Carolina during the 1950s and Commerce Secretary under Kennedy, was a hireling of the British-aristocracy-worshipping Marshall Field family of Chicago, in southern parlance, a "Field hand." Hodges Sr. spent over 30 years holding various executive posts with Marshall Field, having become general manager by 1939 of all 29 of the company's textile mills in the U.S. and abroad.

During World War II Hodges directed the $4 billion textile-pricing program for the U.S. Government's Office of Price Administration. He was hardly the most disinterested person to have been selected for that job, and that he accepted raises interesting questions of ethics with regard to the rigid ethical code he promulgated in his later book, *The Business Conscience.*

When Kennedy was elected President, Hodges Sr. became JFK's Commerce Secretary. His specialty was campaigning to reform the allegedly unethical, aggressively success-oriented behavior of American industrialists—a campaign which was one of the most insidious aspects of the Kennedy administration and which helped to pave the way for the creation of the New Left and "Drop Acid, Drop Out" counterculture. The whole business is laid out clearly in *The Business Conscience,* which appeared in 1963. In it, Hodges sanctimoniously contrasted his own virtues with the behavior of disgraced Eisenhower aide Sherman Adams, who had accepted some gifts.

Hodges Sr. boasts how he threw the Business Council out of the Commerce Department (for three decades this conclave of 100 businessmen had had a close working relationship with Commerce). In its stead, Luther Sr. launched a "Business Ethics Advisory Council" of 25 businessmen. The chairman of this Ethics Council was William Decker, chairman of the board of Corning Glass Works, controlled by a prominent Knights of St. John family, the Houghtons. The Ethics Council's report, *A Statement on Business Ethics and a Call for Action,* issued in January 1962, was further backed by a Harvard Business Review-published "social-science-style" profile of the alleged ethical laxity of the American businessman, conducted by Rev. R. C. Baumhart, a Jesuit priest. Hodges enthusiastically endorsed both reports and was furious when they were ridiculed by the Business Council. The "profile" was entirely based on questionnaires mailed to graduates of the Harvard Business School, as though the Harvard MBA program spoke for U.S. enterprise.

While founding the movement against the two-martini lunch, Hodges was ultimately committed to more strategic matters. Toward the end of the Eisenhower administration, there were growing networks of businessmen, not to mention officials in the administration itself, who realized it would be both good business and good politics to dump the Cold War in favor of a healthy dose of expanded East-West trade. One means these U.S. circles were using to get around the British-promoted anti-East bloc export measures was to export to Western Europe for re-export to the East bloc. Against these circles, the ethical Hodges Sr. fulminates: "I feel certain that no responsible businessman in the United States opposed our efforts, fully sanctioned by law, to keep strategic goods out of Communist hands."

Like father, like son

Luther Hodges, Jr., an economist by training, is one of the country's specialists in the sabotage of bank industrial lending and of governmental dirigist credit. Relying on his father's clout as a trustee of the University of North Carolina, Luther Jr. took his BA in economics at Chapel Hill, his MBA at Harvard Business School, and a teaching post back at Chapel Hill. Junior first co-authored a Chapel Hill-issued monograph published in 1962 under the title, *Financing Industrial Growth: Private and Public Sources of Long-Term Capital for Industry*—a skillful attack on dirigist industrial-development efforts by federal, state, and local credit agencies in the U.S. The outlook is specifically that of the Council on Foreign Relations' blasts against the "neo-

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mercantilism" of Japan, West Germany, etc.—except the arguments in this case are bent against U.S. regional industrialist networks. Attacking all systematic long-term governmental credit issuance to industry, Luther Jr. and his co-author write that such governmental bodies "at most ... can provide 'spot assistance' to selected industries and communities." Regional subsidies to industry, Hodges Jr. avers, revive the discredited "mercantilistic" and "infant-industry" arguments of a bygone era. "Both the 'mercantilistic' and the 'infant-industry' arguments are essentially short-run solutions, for any period of time an area cannot sell to others more than it buys from them, and, clearly, infant industries must one day grow up...."

In a second book, *Bank Marketing: Iext and Cases,* written while Hodges Jr. was a senior VP at North Carolina National Bank (NCNB), the large Charlotte, N.C.-based institution, Hogdes Jr. spins out the fairy tale that shortly after the Industrial Revolution, overproduction set in, forcing businessmen and bankers to adopt a "marketing orientation." Business success now consists, according to Hodges Jr., in offering old products in a new package or with new ancillary services.

The book, intended as a textbook for bank officers, is rife with case studies from Hodges' own NCNB and Citibank, both of which have increasingly committed themselves to this "service" concept.

In the introduction to *Financing Industrial Growth,* Hodges Jr. states that the monograph was begotten as a counter to the endeavors of a number of rural-based states to foster industry to raise state standards of living. Hodges Jr. opposes such endeavors with the thesis that the highest per capita income comes not from economies with high proportions of industrial operatives but rather in economies with proportionally large service sectors. This, of course, is the thesis of the speculative international interests who created the real estate side of the "New South"—a swindle in which the origins of the careers of James Earl Carter, Reuben Askew, and Luther Hodges, Jr. himself are to be properly traced.

—*Richard Schulman*

INTERNATIONAL CREDIT

IMF loosens up ....a little

The International Monetary Fund has liberalized the rules for members' drawings on its compensatory financing facility. The IMF facility is mandated to lend to members in balance-of-payments difficulties because of "temporary export shortfalls," and thus it chiefly applies to Third World nations. The liberalization, such as it is, betokens the Fund's effort to contrive "a more human face," as London financial writers put it earlier this year, and regain some moral authority while maneuvering to keep the European Monetary System's lending to the Third World in its current piecemeal, limited stage.

Strictly speaking, the IMF compensatory facility does not lend, but allows members to withdraw portions of their membership deposits, or quotas, with the fund. Until Aug. 2, members could draw a maximum of 75 percent of quota. Now they can draw 100 percent, if the IMF is "satisfied that the member has been cooperating with the Fund in an effort to find appropriate solutions for its balance of payments difficulties." The U.S. State Department recently said off the record that it considers this tantamount to unconditional drawing privileges.

The facility was established in 1963, "liberalized" in 1966 and again, after the first oil-price hoax, in 1975. Since 1975, 3.4 billion Special Drawing Rights—in current dollars, about $4.4 billion—have been drawn, according to the Aug. 20 *IMF Survey.*

The same issue of the *Survey* gives one indication of what prompted this "liberalization," with a special feature on the Arab Monetary Fund. The article describes the AMF's $40 million in loans over the past nine months to five member-nations—Egypt, Sudan, Mauritania, Morocco, and Syria.

The Survey ostentatiously insists that "The AMF is not intended to be a development aid institution and is mainly concerned with financing balance of payments deficits of its member countries," although it is well known that Sudan, in particular, has derived real development benefits from the AMF's loan. Arab sources in New York and continental Europe have repeatedly stated to EIR over the past few months that the Fund will be enlarged to play an important role in helping Third World countries survive the energy cost squeeze, and could also be an institutional channel for cooperation with the European Monetary System—"rather than just handing the petrodollars over to the EMS," as one banker put it.

—*Susan Johnson*