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Carter: no need to stabilize dollar

At President Carter's news conference Oct. 9, Executive Intelligence Review's *Washington, D.C. correspondent Susan Kokinda queried the President on his administration's monetary policy:*

EIR: Mr. President, further on the Fed's tight money policies, figures such as the West German Finance Minister and Democratic Party presidential candidate Mr. LaRouche have charged that this is leading us rapidly towards the crash of '79. Will you move to stabilize the dollar and the economy by collaborating with Europe on their move to remonetize gold, as LaRouche and others have suggested?

President Carter: I doubt that that's in prospect, certainly not for this year. We do cooperate with allies and friends and trade partners in order to stabilize the worldwide monetary system including, at times, the interrelationship between currencies from one country and another and sometimes the basic metals.

I don't see any threat to the well-being of any American because of a rapidly increasing price of gold—except those who have sold early or bought late. But as far as the average citizen's concerned, the price of gold—whether it's $200 an ounce or $400—has very little impact.

Recently, the Federal Reserve Board has decided to raise interest rates and I think that—and take other steps concerning the Reserve's supply of money to be kept on hand by banks. This has resulted in a strengthening of the dollar—which had already begun to strengthen. And I believe that it's well within the bounds of management—it's stable.

I had noticed an analysis that showed that in the last year the price of the dollar, as compared to currencies of all our trade partners has increased substantially among the OPEC nations and their trade partners. The value of the dollar, even before we'd made the recent move, had increased 8 percent over the last year.

So I believe the dollar is stable. I believe the world economy is stable. And I see no prospect of shifting to a rigid price of gold and a gold standard.

International Monetary Fund's estimate, the Third World will suffer a $43 billion balance of payments deficit; private estimates are closer to $50 billion. At $200 billion, the private debt of the developing sector now carries an annual $30 billion interest charge, given 15 percent six-month Eurodollar rates. At 20 percent, the annual carrying charge rises to $40 billion. This is the volume of new loans that the commercial banks will have to extend to the developing countries merely in order to maintain the loans on their books. The last rise in oil prices has already thrown many third world economies into chaos. There is apparently a further rise in the price oil in the works, possibly as drastic as the first. That will add further to the burden.

'Uncontrolled disintegration'

The same West German banks whom Volcker plans to squeeze out have been disproportionately carrying the burden of financing the Third World. The lower tier of these countries is on the verge of economic holocaust (see TRADE). *EIR*'s special report of last July on the consequences of the oil prices increase found, on the assumption that the Fed would respond with monetary stringency, that the economies of many of these countries would cease to exist in meaningful form by the end of 1980—and that several advanced sector countries would follow by the end of 1981.

The London *Guardian* warned Oct. 9, in a column by Hamish McRae, that the current monetary environment might trigger a wave of Third World debt defaults. That looks increasingly likely; the International Monetary Fund has no lendable resources in proportion to the need, and the private sector cannot keep up its previous rate of lending, much less increase it as required, under Volcker's program. Already, according to the London Financial Times Oct. 9, private banks are abandoning Turkey, something of a test case for willingness to lend to Third World countries.

The central bank governor of Mexico warned Oct. 10 that Volcker's plan would decrease the exports of the developing sector and potentially lead to serious economic consequences. What is most dangerous for the third world in the short-run, however, is not the absolute level of import demand from the advanced-sector countries, but the uncontrollability of short-term interest rates under the Volcker program.

Volcker has unleashed consequences which would better be described as *uncontrollable* disintegration. According to Democratic Presidential candidate Lyndon H. LaRouche, Jr., "Volcker will only push the Europeans to act on gold faster." The dollar is now functionally unusable as an international lending currency (see FOREIGN EXCHANGE). The fall of the dollar despite the extraordinary interest rates available indicates that the currency has, indeed, become an "exotic currency like the Brazilian cruzeiro," as one senior Swiss money dealer put it.

Europe might well be forced to activate some of its contingency plans well in advance of plans. The final alternative is to make the gold-backed European Cur-

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