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## REUSS SPEECHWRITER

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### 'The EMS could go down the tubes'

*An aide to Rep. Henry Reuss who drafted the congressman's April 10 speech to the Friederich Ebert Foundation in Bonn said that Reuss was working on the following background assumptions regarding the crisis in the international monetary system.*

As soon as the Volcker policies really take effect here in the United States, the economy will go into deflation. This will push our interest rates down and weaken the dollar. But the Europeans will be very reluctant to intervene. If the dollar starts to go, it will have to go, because their intervening would be too inflationary for them now. The resulting dollar crisis could wreck the EMS. It could hurt the EMS a lot; they do not have a dollar policy. They have been lucky the dollar has been stable. The EMS could go down the tubes... The parities [among EMS currencies] will get shoved to hell and they may just have to abandon them. If the pressures get too intense on the non-German members of the EMS, they may just have to scrap it and say "The hell with it, we're not going to wreck our domestic economies just to maintain the parities."

Therefore Reuss says our priority has got to be some negotiations with the Germans. He'll tell them that they

have been demanding we deflate, and now we have, and we're in recession, and they are going to have to give support to a program for long-term restructuring of the U.S. economy. Germany will just have to support Reuss's Economic Restructuring for the 1980s, and demand that Carter implement it. That means in the short-term wage/price controls and budget cuts, in the long-term, total restructuring of major economic sectors.

*The aide then quoted a draft from Reuss's speech:*

Chancellor Helmut Schmidt must bring his personal weight to bear in international forums and institutions on Mr. Carter to see that the fundamental restructuring of the U.S. economy takes place, to urge programs of fundamental reform rather than yet another macroeconomic ratcheting down of the U.S. economy....

I call for the endorsement of the work of the Brandt Commission. In a world situation in which we face a world-wide restructuring of the financial obligations and the debts of the less-developed countries, industrial nations must support and put into place institutions to deal with this such as the Brandt Commission's proposed World Development Fund...

On the basis of this fundamental economic reform, the industrial West will be in a position to cut a deal with OPEC. We would be in a position to guarantee a real price for the U.S. dollar and thus for oil, in exchange for oil availability and stable oil prices.

*The aide then commented that Reuss, in his off-the-record remarks, would demand that Germany and all Europe*

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## House banking chairman demands intervention

*The following exchange took place between Henry Reuss and President Carter and his Treasury Secretary G.W. Miller in late August. The Congressman's intervention into the West German electoral process continues to this day, according to his aide Jaimie Galbraith.*

### Reuss to Carter, Aug. 2, 1979

The free world is on precisely the wrong track. Germany, Japan, and others similarly situated should fight their domestic inflation in a way that will not endanger the world's currency, the U.S. dollar, into a depression that could sink the whole free world. In

short, our trading partners should fight inflation primarily by fiscal policy rather than monetary policy. They are doing just the opposite. I respectfully suggest that you urge the leaders of Germany, Japan and other countries to change their anti-inflation *mix* so as to rely less on monetary policy and more on fiscal policy.

### Miller to Reuss, Aug. 30, 1979

...There are continuing high-level discussions with authorities of Germany, Japan, and other countries, and these will be used to discuss the issues you have raised.

### Reuss to the West German papers *Handelsblatt* and *Wirtschaftswoche*, September, 1979

Q: Your dramatic intervention for fiscal tightness comes at a time in Germany when the election is

participate in "an entire international restructuring" modeled on his *Economic Restructuring for the 1980s in the U.S.*

It's a question of all of us doing what we're supposed to be doing. We cannot get our monetary cycles completely out of phase again ... he's going to press for a coordinated fight against inflation. We ought to put into place steady monetary and budget policies, and wage price controls. The same kinds of policies are required for West Germany, Japan, and the other countries. They must keep their budgets down, reduce their monetary aggregates, and implement wage/price controls. ... Of course they won't implement it, but just because they ignore him that never stops Reuss from telling them ... this is not a one way option ... we're talking about an entire international restructuring.

Then Reuss will tell them we have to get serious about beating up on OPEC for beating up on the LDCs. He figures that one thing that has been noticeably absent is any attempt to embarrass OPEC and point out that the consequence of their policies is disaster in the LDCs. He wants the consuming nations to get together and attempt to embarrass OPEC, exposing them... say that there are bodies lying in the street dying in the LDCs because of their policies. He'll demand they cut oil consumption and go to alternative energy. ... They've been moving ahead too much on nuclear. This doesn't seem to bother them, the safety problems. ...

It's OPEC itself which is particularly anxious to divide us from Europe. ..."

drawing near and nobody is thinking of raising taxes, but everybody is discussing whether taxes should be lowered in 1980 or 1981. Did you mean to intervene in this debate?

**A:** I simply point out that a moratorium on constructive election year dialogue would only result in perpetual silence. In fact there is an alternative to German tax cutting—namely a less restrictive monetary policy. Forswearing tax reduction should make it possible for the Bundesbank to avoid excessive interest rate increases... I would welcome German advice against a vote-catching U.S. tax cut. ...

...I do not suggest the German government is engaged in conscious dollar weakening, but there is a definite risk that the monetary policies now being pursued in Germany will in fact weaken the dollar and force countermeasures from the Federal Reserve that will have grave consequences for the world economy.

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## BIRCH BAYH

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### 'Europe boycotts USSR, or we boycott Europe'

*Senator Birch Bayh (D-Ind.), a member of the New York Council on Foreign Relations, inserted a statement on "Deterring Soviet Adventurism" into the March 20 Congressional Record. We excerpt from that statement.*

The importance of effective U.S. sanctions against the Soviets for their invasion of Afghanistan will require that our allies do not undermine our efforts. ...

If such cooperation [from America's European allies, particularly] is not forthcoming voluntarily, we must use our own economic weight to encourage the cooperation necessary to achieve the withdrawal of Soviet troops from Afghanistan and send a clear signal that no further military adventures should be undertaken. I will soon introduce legislation which will permit the President, by proclamation, to increase duties on goods from countries which do not cooperate with our efforts. This legislation would also exclude from U.S. Government procurement under the International Government Procurement Code the products from such countries...

While this step might seem heavy handed to some theoreticians of international trade and politics, it is a useful signal which should be understood by those nations who see America's response to the Russian threat to world peace as a splendid opportunity for them to make a fast buck. Put simply, if a country insists on undermining our efforts... then that country's exporters should face the likelihood of higher tariffs on their products exported to the United States as the price of their indifference to the presence of Soviet-manned tanks in Afghanistan. ...

And our oil consuming allies must understand that their economies and prosperity depend far more than our own upon secure lines of supply from the gulf.

So what do we do? To be sure, the present situation requires a careful, balanced, and effectively directed effort to enlist assistance of other countries... Our concern about stopping the spread of atomic weapons must continue, NATO should play a part.

The time has come to make our position clear. The United States expects its allies, for whom it provides a nuclear umbrella at great cost to our own taxpayers, to join in defending the Persian Gulf region from Soviet takeover or domination, and we do not intend to disregard flagrant attempts to undermine our own efforts to sustain the reprisals we have undertaken. ...