European coalition against high rates

by Jacques Cheminade

The following guest editorial, slightly abridged here, appeared in the June 26 issue of La Presse Française, *a conservative political and economics publication read in every board room in France. Mr. Cheminade, currently on leave from the French Foreign Trade Ministry, is secretary-general of the European Labor Party in France, and is a longstanding associate of* EIR *founder Lyndon H. LaRouche, Jr.*

Numerous Third World nations are already in a situation of default on their international payments. In a few months at most, with the current interest rates, a chain reaction will ensue which would threaten the already precarious pyramid of the (mainly speculative) Eurodollar markets.

In order to prevent outflows of capital gravely destabilizing their economies, European countries have had to adapt their interest rates to those imposed by Mr. Paul Volcker. In France, the cost of call money rose from 12.25 percent to 20 percent, a historical record high. Consumer credit has hit 28-30 percent in July. Depending on the credit rating, corporations must pay between 19 and 23 percent for overdrafts.

In a period of recession and political instability, this policy has rapidly led to a severe deterioration of corporate liquidity, a general increase of bankruptcies and corporate defaults, and a large drop in orders placed with hire purchase companies. Productive investment has dried out as the high cost of money hits two particularly key sectors, auto and housing construction.

This situation cannot be tolerated. The Volcker policy threatens both the investments of industrial corporations, the working population's standard of living, and the growth of Third World nations, which means both the productive capacities and the demand that could ensure the activity of the former.

Basel's Bank for International Settlements (BIS), the central bankers' central bank, has just stressed in its annual report that the policy of the Fed and the U.S. Treasury would lead the world into a depression like that of the 1930s.

The remedies proposed by BIS, however, are as bad as the disease they purport to cure. BIS takes the view of controlling and managing the crisis by means of austerity, instead of creating the conditions in which recovery could occur. BIS proposes to cut public spending, to base production on nonintensive energy forms, and to link the Third World to IMF "conditionalities," "structural reforms," and budget cuts. This is exactly the language and the approach used by the Brandt Commission, which no less than BIS rejects the development of "too costly" high technologies, nuclear energy in particular. In fact, both the U.S. Federal Reserve and BIS are thinking in terms of a mere reorganization of the international financial markets, and have no intention of creating the conditions in which industrial production could be relaunched.

In the United States, a National Coalition to Reduce Interest Rates has already been created; it includes industrialists, labor leaders, and leaders of ethnic and farmers' groups. The coalition has already set up a solid, nationwide organization, with a newspaper and 13 regional coordinators. A bridge must be built between such American forces and Europe, to make the fight against monetarism more effective, to make it a coordinated struggle, and to give it a program for industrial development. In Europe, we also propose to launch a similar coalition and organize, starting next autumn, a continent-wide conference on how effectively to reduce interest rates.

The present French government and its finance minister, Jacques Delors, are also denouncing the U.S. policy of high interest rates. We tell them that such a stance, if it is to be sincere and efficient, must be part of a global perspective for development, which is not, by far, that of President Mitterrand and Prime Minister Mauroy. To be coherent, a policy to reduce interest rates must:

1) fight both the Volcker and the Brandt Commission approaches, which are both geared toward a crisis-management of the depression, and not toward solving and ending it;

2) propose a new international monetary system based on the European Monetary System, to redirect credit toward growth. The present monetary system is no better able to ensure growth than a casino to enrich its clients;

3) defend a policy of industrial development and high technologies based on the cheapest and most efficient existing energy technologies, i.e., nuclear energy;

4) orient domestic credit toward a two-tier system of favored rates for productive investment going in priority to small and medium-sized industries.

It is only a policy of this type which creates new wealth and economic surplus, that justifies a lowering of interest rates and makes it feasible. This keystone of our policy will be put forward by the European Coalition to Reduce Interest Rates, the establishment of which I hereby announce.