Miller Confirmation Rushed Through

George William Miller, President Carter's nominee for the head of the Federal Reserve Board (Fed) was approved by the Senate Banking Committee by a 14-1 vote on March 2 and confirmed by the entire Senate on Friday, March 3.

Miller's confirmation puts the Federal Reserve Board, and much of this country's banking and monetary policy, in the hands of an ally of Treasury Secretary Michael Blumenthal and Energy Secretary James Rodney Schlesinger.

As late as last weekend, London-influenced press in the U.S. feared that resistance to Miller by conservative Democrats and Republicans would avalanche and might ultimately result in the ouster of Schlesinger and Blumenthal. The lead editorial of Sunday's *New York Times* Feb. 26 advocated that "Mr. Miller step aside."

The shoo-in of Miller, in the absence of any opposition, came from several factors including the fact that former Fed chairman Arthur Burns personally interceded with lawmakers to press for Miller's approval. Burns told them that the dollar crisis could only intensify in the absence of a Fed Chairman, therefore confirmation of Miller was imperative.

Senator Henry "Scoop" Jackson (D-Wash.) will use the same tack in pushing the Administration's no-energy program. Jackson announced on March 3 that he will use the dollar collapse to stampede Congress into a "compromise."

Arthur Burns's pushing of Miller reinforced the "clean corporate businesman" image constructed by Miller's supporters — the same image created to launder Blumenthal a year ago.

Miller was only temporarily tarnished by the allegations of false billing and corporate bribery of Iranian officials by Bell Helicopter to procure a half billion dollar helicopter deal for Textron's largest subsidiary.

Although the information produced during the investigation of Miller by Sen. William Proxmire's Banking Committee had all the makings of another Lockheed scandal, conservatives were reluctant to press this type of a probe since they have themselves been targeted so often. Washington sources indicated that Proxmire ran this kind of investigation intentionally to preempt any scrutiny of Miller's corporate asset-stripping, his role in the destruction of the New England textile industry, Textron's penetration of the U.S. aerospace sector, and his leading role in creating the Energy Corporation of the Northeast, the Schachtian plan for takeover of energy production in that region.

Sources also cite another reason for Miller's unusually rapid confirmation. Miller supporters circulated the threat that if Miller were blocked, the Watergating of Bert Lance and allied Atlanta interests would be put in high gear. Atlanta banking and real estate interests have come under heavy press attack in the last several weeks.

'Soft Landing' For U.S. Economy Is Really Quicksand

BUSINESS OUTLOOK

The *Baltimore Sun* responded on March 1 to the latest wave of bad economic news by calling on President Carter to retrench and clamp a lid on inflationary pressures in the economy. "As the dollar drops, inflation soars at home... It is a vicious circle the *Sun* warned in its lead editorial. The president must act "with decisiveness" to force cutbacks in U.S. oil imports, impose "restraint" on wage and price increases, and make it clear that "he will not countenance any more stimulus" in his proposed tax package.

Sun's prescription for a "medicine" which is likely to finish off the patient came after a week of reports from Washington on more symptoms of the U.S. economy's critical condition. The index of leading economic indicators, an important barometer of future economic activity, registered its steepest decline in three years, falling 1.9 percent. Consumer prices rose 0.8 percent in January, double the rate of the previous two months, meaning that 1978 started out with a double digit inflation rate. Since it has already been reported that food prices rose 3 percent in February, it is likely that the double digit rate will continue for that month as well. Consumer purchasing power, another key indicator, fell 3 percent, a result of rising inflation and higher social security taxes.

These numbers follow last week's announcements of significant declines in every industrial category as well as steep drops in retail sales, auto sales, and housing starts. It is already being conceded that both auto sales and housing are in for a rough year in 1978.

These factors forced the dollar down to all-time lows on international money markets, and the New York Stock Exchange Dow Jones Industrials index down to lowest level in exactly three years.

In making its proposals, the *Sun* joined an increasing number of U.S. economists, businessmen, and officials who are proposing to erect an economic "Maginot Line" against the spiralling downturn by constricting the overheated U.S. economy to a "stable base." Incompetently rejecting proposals by the U.S. Labor Party and others for immediate economic revival based on expansion sharply confined to basic industry and other productive areas, they hope instead that restraints and cutbacks will take the heat out of inflation while positioning the economy for long-term stable expansion at some future date. What they are proposing would in fact place a depressed United States economy up for grabs at bargain basement prices by London financiers.

This view was explicitly propounded by Federal Reserve Board member Henry C. Wallich in a Feb. 9 speech at Utah State University titled "Moving in for a Soft Landing." Wallich claimed that "the time has come to get ready for a soft landing out of rapid expansion to a stable base of long term growth...we must get ready to decelerate over the next two years or so."

Winter weather aside, most economists correctly identify the major stumbling block confronting the economy as the enormous debt overhang afflicting all major sectors, federal, state, and local governments, the corporate sector, and consumers. Most, also correctly, rule out the Milton Friedman economic butcher treatment of a tight monetary policy by the Federal Reserve. Says Dimitri Balatsos, Vice President of the Economics Department of Manufacturers Hanover Trust in New York: "If the Federal Reserve were to turn actively restrictive out of fear that continuing massive federal deficits and rapid monetary growth will rekindle strong inflationary pressures, a credit crunch and another recession become sure bets.

Debt Rollover Obsession

But what Mr. Balatsos and many of his fellow economists really fear — above all else — is that tighter monetary policy will prevent the huge amounts of debt from being refinanced, i.e., rolled over. The problem of rolling over the debt is compounded by the huge financing requirements of the Treasury Department this year to deal with a federal deficit, including federally sponsored agencies of from $102 billion to as much as $130 billion.

The solution to this problem, these economists have incompetently proposed, is for the Fed to keep short-term interest rates in the present 6.5 percent to 7 percent range, but to insure that the liquidity created goes into debt rollovers and not for production or consumption. In addition, this solution calls for some form of wage and price controls, either in the form of incentives for companies that keep wage and prices increases below a specified level (the Brookings Institution plan), or by imposing penalties for companies which don't (the Henry Wallich plan).

Some economists are so frantic over the debt problem that they openly advocate sale of the United States to foreign buyers, to obtain added funds. The following scenario was spelled out by a leading economist at a major New York bank. "Foreigners will continue to invest heavily in Treasury securities, as they did last year, as will states and municipalities, which will have a surplus of funds this year." This surplus will result from massive austerity cuts imposed by local governments under the unspoken threat of getting the Felix Rohatyn-New York City treatment. According to the scenario, everything would be fine as long as foreign funds and municipal surpluses found their way into Treasury securities. "The problems will occur if they decide to spend their money on goods and services, like bridges and hospitals. This will cause runaway inflation." These foolish economists believe that low interest rates and a depressed economy will allow the country to roll over its huge debt, one more time.

—Joe Stein

Exchange Control Rumors Weaken Internal Euro Capital Markets

Rumors that West Germany, and possibly Japan, will soon impose exchange controls to meet the continuing downward slide of the dollar widely circulated on foreign exchange markets this week, following the Feb. 24 imposition of controls in Switzerland.

FOREIGN EXCHANGE

Although the Swiss Central Bank put the controls into effect in the hope of catalyzing a commitment on the part of the Carter Administration to publicly support the dollar, by mid-week it became clear that maintaining the controls for any period of time, or extending the controls to other countries, will only serve to feed international monetary chaos. The Swiss controls failed to make a dent in the downward drop of the dollar to below the psychological "cut-off" point of two deutschemarks on March 1. On Feb. 28, rumors of controls being imposed in West Germany provoked a panicked withdrawal of foreign funds from the West German stock market by seven points on the Commerzbank index, despite the fact that the deutschemark rose that day against the depreciating dollar. The Swiss market fell also, by 5-10 percent with banking stocks most affected.

These "tremors" on European domestic capital markets merely serve

"technical" adjustments of capital flows, no matter how drastic, will have no impact on holding back the anti-dollar "bear raid" being run out of the City of London. Nothing short of introducing gold as a stabilizing factor behind the dollar — as proposed Feb. 27 by leading West German banker Hermann Abs — will succeed in driving a wedge between London's banks and the larger pool of panicked corporate and dollar-holding speculators, and