

for the realization of the EMS's global development goals. In a similar vein, Business Round Table chairman Irving Shapiro warned President Carter after the latter's address to the Business Council Dec. 13 that he would be assured of business support only insofar as the Administration stays in line with its wage-slashing, budget-cutting "anti-inflation" program.

The vacillation generated in Administration layers by such warnings on the one hand, and the promise to American industry held out by the EMS on the other, is reflected in the recent statements of Treasury Secretary Michael Blumenthal and Federal Reserve chairman G. William Miller. Testifying at the Joint Economic Committee hearings, Blumenthal was forced to praise the EMS as a "positive factor" while simultaneously supporting an austerity package for the U.S. economy. Miller joined Blumenthal in reversing his opposition to the EMS and dollar support in a speech to the prestigious Atlantic Bridge meeting in Frankfurt Dec. 12, dubbing the European Monetary System a "constructive approach toward greater monetary stability....All of us stand to benefit." But a week later, however, the Fed allowed the Fed funds rate to climb by another one-eighth percent.

— Vivian Zoakos

France defines 'EMS' as

Last week's proposal by the coalition of political parties backing French President Giscard d'Estaing for a \$100 billion European Economic Community development fund has set the stage for bold new initiatives from France. The proposal, coming from sources close to the French government at the highest level, illustrates the real thinking behind the new European Monetary System (EMS) and, by offering the various social forces and trade unionists in France a deal they can't refuse, frees the government to bring its global grand design strategy to fruition.

French Foreign Trade Minister Jean-Francois Deniau, speaking as President of the European committee of the UDF (Union pour la Democratie Francaise), announced on Dec. 12 a 100-point program which revolves around the plan for a \$100 billion fund to finance industrial development in Europe and an increase in living standards in the developing sector. It also includes a series of social measures which are not only based on demands already put forward by France's trade unions, but are also neces-

\$100 billion program for peace and progress

On Dec. 12 French Minister for Foreign Trade Jean-Francois Deniau addressed a meeting of the leadership of the UDF coalition of progovernment political parties. Deniau was speaking as the President of the UDF's European commission, announcing a 100-point program which the UDF, after ratification at its February congress, will use as its platform and program for the European Assembly elections in June 1979. Here are portions of his speech.

The goal of the program presented is "a strong, prosperous and respected France, in an organized and independent Europe which is at the same time a guarantee against war, a response to our economic and social needs, and an insurance for democracy and liberty." These are the conditions necessary for the emergence of "a new European civilization."

"The election by universal suffrage will permit the European Assembly to exert its powers with an increased authority. These limited powers will not be substituted to those of our national Parliament, nor go beyond those assigned to it by the constitutional treaties of the EEC, but these powers will nonetheless be real and important for our country, our economy and our future. . . .

"We reject the bureaucratic superstate. Our conception is that of a confederated Europe in which the

European Council sets the orientations of the Community with respect for the sovereignty of the States . . ."

Reading from the program and commenting on it, Deniau said that it proposes "that the nine member governments of the Community launch a development plan for employment by investing together over five years sums which could amount to 500 billion francs."

"Half of these sums would come from national efforts coordinated on the European level, the other half from community loans, the community itself borrowing these sums on the basis of the credit (collateral — ed.) provided by the considerable monetary reserves of its members. These loans, denominated in ECUs, would be retroceded to the member countries and would serve to finance a vast program of industrial, regional, and infrastructural investments on the European scale (for example the tunnel under the Channel, completion of the modernization of the waterway liaison between the Mediterranean and the North Sea) which present a particular interest from the standpoint of employment."

Deniau added that this 500 billion franc program would serve to promote progress and modernization in the developing countries. "It would be a credit policy to ensure a relaunching of orders, a sort of Marshall Plan which would aim to increase the standard of living and

global economic development

sary prerequisites for raising the quality of labor power required by this bold development perspective. The UDF, an electoral coalition that includes Giscard's Republican Party, the centrist CDS Party, the Club Perspectives et Realites, and several other small political formations, will be called on to ratify this program at their February congress, and to use it as their electoral platform for the June 1979 European Assembly elections.

It is this sort of program for economic development, directed from the top down rather than left to the heteronomic forces of "free enterprise," that will enable the appropriate forces within the political parties of France to rid themselves of the empty recipes currently passing for economic policy.

This particularly applies to the Gaullist party (RPR) of Paris Mayor Jacques Chirac, who threw the French political scene into an uproar earlier this month with his declaration of war against Giscard's European policy and France's closest political ally, West Germany. While

Chirac's demagogery was immediately the product of the political ambitions he nourishes for the presidential elections, he played masterfully upon the legitimate — but uninformed — fears of his party's large peasant and farmer base.

These layers, which operate the many small family-based farms of southern France, fear an "invasion" of low-priced agricultural commodities from Spain, Greece and Portugal, as well as the removal of certain price support mechanisms which have kept French food prices artificially high. But the solution is not contained in the xenophobic ravings of Jacques Chirac, but in a program which the vast majority of the Gaullist party would support, entailing debt-relief and special financial incentives for increased levels of modernization and capital investment for mechanization.

In recent speeches, Foreign Affairs Minister Jean Francois-Poncet has indicated that part of his government's motivation for accelerating the time-table for

the buying power of the countries toward which Europe could export part of its production."

The program also calls for the creation of European research centers and the reinforcement of collaboration in the area of "industries of the future."

He stressed in conclusion that "Europe is not aimed at substituting itself to the States, but to bring them something supplementary. (It will be) neither a satellite of the Soviet Union, nor an annex of the United States."

A world arena for France's capacities

French Foreign Affairs Minister Jean-Francois Poncet motivates the enlargement of the EC to include Spain, Portugal and Greece as members before the French Senate Dec. 16:

... Our interest lies in making the transition period (for entry) as short as possible to allow our industries to rapidly take a foothold in the markets of those three countries which have 54 million consumers, and which are undergoing rapid development ... Besides, the renovation of our industrial and technological apparatus in the concerned sectors is clearly required in

any case, so the enlargement represents an opportunity for our industry. The situation is different for our agriculture, but there too the prospects are much less somber than it is sometimes said. Provided certain measures are taken, the agricultural prospects are rather encouraging. . . .

First of all, the enlargement will favor an increase in the standard of living of the newcomers whose consumption will expand and diversify itself. The example of Italy shows this. The latter was practically self-sufficient in 1958. In the span of 20 years, because of its participation in the Community, and the great increase in the consumption of meat products that resulted from it, and in spite of significant progress made in her own agriculture, she hasn't been able to meet her new needs. The result has been that our sales of livestock and dairy products to Italy have increased from 285 million francs in 1965 to 4 billion now.

In this ensemble to be constituted by a confederated Europe, France will be able to deploy her influence without losing any of her own capacity for the independent initiatives which result from our world vocation. United with her partners for a world of prosperity and justice, without ever ceasing to be herself, she will thus set the example of solidarity and independence. For this to take shape, Frenchmen must not have doubts about themselves or their country and those who put so much ardor in their patriotism ought to put at least as much confidence in France's capacity to be herself in Europe.

broadening the southern rim of the European Community lies in the challenge this will pose for French industry and agriculture (see excerpts on page 27).

The French Communist Party (PCF) of Georges Marchais, aping the most backward aspects of Chirac's nationalism, has meanwhile called for a European-wide mobilization of peasants and workers against a "Europe dominated by German imperialism," thus becoming a pawn of forces, led by the British, who oppose the EMS and its grand design. The fact that the PCF's coffers are lined by the Rothschild-allied wine-grower millionaire Jean-Baptiste Doumeng is not accidental to the party's current posture.

The type of program put forward by Deniau in the name of the UDF, with the addition of a more elaborated agricultural component, should permit a broad cross-party factionalization to occur such that Giscard emerges with a clear mandate. Numerous indications already point to Chirac's isolation on this issue; he has already attempted to retreat from his earlier statements, claiming that his remarks were misinterpreted by the press. The program also constitutes an urgently needed indication of Giscard's disenchantment with the Darwinian "free-enterprise" plan of Premier Raymond Barre.

The organization of Europe around the EMS, what Helmut Schmidt has termed the creation of a "superpower for peace," has been thoroughly discussed in the circles in and around Giscard's Republican Party. Leading figures in the party have defined the urgent necessity of implementing the EMS in terms of the need to avert the dangers created by the "tactical nuclear warfare" doctrine of Alexander Haig and Zbigniew Brzezinski. Moreover, they regard Giscard's role as that of the legitimate heir of Charles de Gaulle, defined as a strategist whose approach was based on French leadership in a sovereign, united, and confederated Europe.

And the French role in this Europe is to mediate a global policy in the interests of peace, working through detente with the Soviet Union, in Africa, the Middle East, and Latin America.

The just-ended trip to Western Africa of State Secretary for Foreign Affairs Olivier Stirn, Giscard's current state visit to Guinea and the preparations leading up to Giscard's planned trip to Mexico in February verify this role. Stirn's successful meetings with the leaders of several English-speaking African nations is a significant breakthrough for France, whose influence has traditionally been limited to the French-speaking nations of Africa.

— Dana Sloan

The problems with

At a time when so much hangs on the emergence of rational thinking in U.S. economic policy circles, current debate in the U.S. on the key issues of dollar stability and U.S. policy concerning the European Monetary System is dominated by a stale set of Hobson's choices. The debate is being conducted between the self-described advocates of a strong dollar, who insist on "defending the dollar" through economically debilitating high interest rates and belt tightening, and Kennedy machine "liberals" who assail the Administration's Nov. 1 dollar support package for costing the nation needed social programs and who instead advocate immediate implementation of International Monetary Fund-directed "reflation" and austerity.

Hearings held Dec. 14 by the international economics subcommittee of the Joint Economic Committee of Congress on "The Dollar Rescue Operations and Their Domestic Implications" provided the well-publicized stage for both sides in the controversy to air their views. Treasury Secretary W. Michael Blumenthal, who bears a special, personal responsibility for the steep decline in the dollar over the last year and a half, testified on behalf of the Administration's dollar-support measures and its ever-tighter monetary policy. In Blumenthal's rendition of the matter, the Nov. 1 actions — which established a \$30 billion kitty of credit lines with the Europeans and Japanese and other funds for currency intervention — were a follow-up to the wage-price guidelines announced by President Carter in late October and the overall austerity of current Administration economic policy. The Treasury Secretary, in other words, advocated the position of defending the dollar through killing the U.S. economy.

To those who remember speech after speech in which Blumenthal told the foreign exchange markets that the widening U.S. trade deficit and depreciating dollar were no cause for concern, his remarks before the JEC on the negative repercussions of the trade deficit and falling dollar were most ironical. But unfortunately for U.S. policymaking, Blumenthal's conversion reflects the confusion of economic policy advisors throughout the Administration. Blumenthal went on to admit that a new "feedback" mechanism is operative, whereby depreciation of the dollar has resulted in higher prices for imports, leading to higher prices for domestic products competing with foreign goods, more inflation, further weakness in the dollar, and so forth. Blumenthal estimated that as much as one full percentage point of U.S. inflation this year reflects the effects stemming from the depreciation of the dollar, but he failed to mention his own leading role in "talking down the dollar." Blumenthal, in fact, sharply rebuked "those who feel that continuing decline in the dollar is good for trade."

On the question of the EMS, Blumenthal favorably