Business Briefs

Domestic Credit

Carter closeted with advisors

President Carter held closed-door meetings with his budget director and economic advisers at the White House Feb. 27 to work out a plan to reduce the Federal budget and impose a deflationary policy on the United States. Credit controls are reported on the agenda.

While specifics have not emerged from the meeting, it is known that the President had before him a resolution to cut the FY 1981 budget by $25 billion from his original $615 billion request to Congress. Supporting that approach is a resolution presented by 42 Senators, led by William Roth (D-Del.), a member of the Bilderberg Society, which proposes tax cuts and a limit on Federal spending.

Carter is also said to have before him a proposal to impose credit controls on consumers respecting purchase of automobiles, houses and retail merchandise of other types. Such controls could involve raising downpayments or shortening loan maturities, thus making credit more "expensive." Other measures under consideration at the White House include elimination of General Revenue Sharing for state and local governments, and denying Federal pay increases for October, according to the *Wall Street Journal*.

Authoritative Congressional sources report that Carter has already instructed the Office of Management and the Budget to resubmit the administration's budget proposals with drastic cuts in social service programs. The cuts, to be announced within two weeks, will include elimination of all inflation-adjustments in Social Security benefits, veterans benefits, Federal pensions, Federal pay increases, and most other categories of income-support programs.

Experts say this would mean a 20 percent minimum across-the-board cut in Social Security payments—imposing extreme hardship and "even starvation" on hundreds of thousands of elderly.

The anticipated credit-control program of the administration is expected to conform to proposals issued in London by leading financial interests for an "international deflation."

International Credit

David Rockefeller announces Third World credit cutoff

"Doubts are again being raised about the present credit-worthiness of the LDCs," David Rockefeller told the annual finance conference of the American Conference Board on Feb. 26. Banks with large loans to the underdeveloped countries will have special problems, given the latest round of oil price increases, he said.

Rockefeller called for "strengthening" of the IMF and World Bank organizations to handle countries that are being shut off completely from private credit sources. The IMF and World Bank have been functioning consistently as austerity police in the developing sector—once a poor country is cut off from private credit, the IMF moves in to impose the infamous "conditionalities" of currency devaluation, wage decreases, food price inflation, and budget cutting on the victim country in exchange for helping to pay a few bills. The result of IMF-World Bank aid is in every case to leave the country's economy terminally devastated.

What David Rockefeller failed to point out is the fact that the developing sector is being deliberately cut off from new credit by means of the whirlwind interest rate spiral. The key London interbank rate is now at 17 percent—that means developing sector loans start at about 19 percent.

It is this latter phenomenon to which Mr. Rockefeller referred more directly in comments to the *Wall Street Journal* recently, where he warned of "treacherous economic seas and gale-force financial winds" strong enough to capsize even the strongest developing countries.

Banking

World Bank bailout plan or interest rate war?

On March 18, the World Bank will reportedly meet in executive session to discuss a proposal initiated by forces around the "Brandt Commission" and former British Prime Minister Edward Heath and, according to the London *Financial Times*, vigorously pursued by Bank president McNamara, to "restructure the flow of aid" to the Third World

The plan, as *EIR* reported previously, is to extend balance of payment cover loans, at normal World Bank rates, in quantities as yet unspecified. The entire package is based on the Recently-authorized doubling of the Bank's capital base to $80 billion. "IMF conditionalities" would be replaced with "World Bank monitoring" and a so-called global restructuring of economic policies.

The unstated idea is to outflank the well-known, dynamic political and economic initiatives of France vis-a-vis the Third World.

The catch, however, is as European observors point out, that you simply can't have your cake and eat it too. Raising $80 billion for the world Bank to lend to the Third World while Euromarket rates are skyrocketing will be counterproductive—if not something more akin to a hat trick.

While the proposal certainly reflects the attempt at shifting Third World financial dependency from private channels to supranational organizations, it also reflects the cross-wired options at hand in the various policymaking currents of the Anglo-American camp. Avid boosters of the Paul Volcker high-interest-rate austerity reject "concessions" of any sort to the Third World—as deadly as they might be in any case.

Meanwhile, the money-crunch is on in a big way. The West German central bank is expected to raise its discount rate by a full percentage point tomorrow—to accomodate the effect of Mr. Volcker's latest tightening moves in the U.S. France is jacking up interest rates, tightening credit controls, with a new bank base rate of 12 percent. Belgium hiked interest rates on its Treasury bills to 14.75 percent this week.

So, gathering all the money the World Bank requires to finance a political package that could hope to keep Giscard d'Estaing at bay would require gouging huge amounts of liquidity out of national credit systems—something the cut-the-budget austerity advocates reject out of hand.

Trade

Chirac calls for triangular development fund

French Gaullist leader and mayor of Paris, Jacques Chirac, has just called for the creation of an "International Development Fund" based on triangular arrangements between the industrial sector, the OPEC sector, and the Less Developed Countries. Chirac's proposal, which contains strong parallels with Lyndon LaRouche's famous 1975 call for the creation of an "International Development Bank," was featured in an interview in the Feb. 22 issue of the Paris newspaper *Le Figaro.*

Chirac characterized his proposed triangular relationship as "one customer, the developing countries; one banker, the oil producers; and one supplier, the industrial countries." The OPEC countries such as Saudi Arabia would become bankers by virtue of the $90 billion anticipated OPEC surplus they control.

Chirac reports that such arrangements would put a tourniquet on world inflation, including spiraling oil prices; relaunch production in the industrial sector; and fight hunger and undercapitalization in the underdeveloped world. As a concrete example, Chirac says that France, instead of recently extending loans to India, should have persuaded Saudi Arabia to do so with the French government providing guarantees and functioning as industrial supplier in these arrangements.

Currencies

Report Giscard to propose fixed parities, gold standard at Venice

The Japanese newspaper *Mainichi* asserts in its Feb. 26 issue that French president Giscard d'Estaing will porpose at the Venice monetary summit that four key world currencies be linked—the yen, the dollar, the ruble, and the ECU (unit of account of the European Monetary System).

Mainichi writes that the Giscard proposal to fix currency parities will also feature a provision for the use of gold as an international means of settlement.

Mainichi concedes that Giscard's actual draft proposal is not available. Nevertheless, the newspaper claims, Japanese financial authorities fear such a Giscard proposal to restore an international gold standard on the grounds that Japan has little gold reserves. Under the rumored Giscard proposal, gold would be set at about $500 an ounce under the mooted arrangements, *Mainichi* reports.

If the *Mainichi* report is accurate, some doubt is cast on recent media reports that Giscard and West German Chancellor Schmidt have agreed to drop, until after their respective election contests, their organizing efforts for "Phase Two" of the European Monetary System—one feature of which would be the introduction of the supranational ECU—because of nationalist pressures within their own nations.

Briefly

● **WALTER WRISTON,** chairman of Citibank New York, has almost succeeded, in what some officials call "blackmailing" New York State into allowing Citibank to violate New York State's usury ceiling laws. Currently, usury laws in New York State limits the amount of interest banks can charge on their credit cards to 12 percent for debt above $500. Wriston has announced that Citibank will charge interest above that amount and apparently has gotten New York Governor Carey to agree.

● **THE RAW MATERIALS** Committee of the French Eighth Plan—a powerful policy-making body in France-has just issued an alarmed 300-page report emphasizing French vulnerability to raw materials cutoff in an unstable world—except for aluminum and uranium. The Committee proposes that France constitute large raw materials enterprises which would have sufficient weight to compete with other international "heavy weights."

● **WALTER J. LEVY,** the oil consultant associated with the Aspen Institute and Trilateral Commission, proposed this week in Europe that OPEC no longer be paid in currencies. Levy, who was intimately involved in Henry Kissinger's so-called International Resources Bank project, insisted that oil payments should henceforth be made in "energy bonds"—consisting of fixed quantities of goods.

● **BANK CAL TRISTATE,** controlled by the Rothschild interests, has laid claim to a chunk of U.S. mineral wealth and mining operations. Bank Cal Tristate is controlled by Baron Edmond de Rothschild. This week the bank bought up all the outstanding paper of Golden Cycle Mining, a Colorado-based company.