

## Europe's offer to the White House

by Robyn Quijano

From the historic summit meeting between French President Valéry Giscard d'Estaing and West German Chancellor Helmut Schmidt came an offer to President Reagan: collaborate with us on a plan to rebuild the world economy.

The joint communiqué issued by the two heads of state seemed to celebrate the end of the Carter era, a period of distrust and conflict for America's European allies. Giscard and Schmidt jointly expressed "their determination to cooperate in a spirit of confidence with the new American government."

The leaders detailed the aims and responsibilities of their nations as "the struggle against hunger, poverty, and underdevelopment, and the establishment of monetary and economic stability . . . [and] the resolutely peaceful use of nuclear energy."

The meeting was a strategy session for establishing a new order of monetary and political stability, for turning around the rapid collapse of the world economy, and expanding production and trade worldwide.

The importance of this meeting and the increasingly loud cries from Europe that the Volcker interest-rate policy is destroying the European as well as the American economies went virtually unmentioned by the U.S. press.

Why such a blackout?

From the day James Earl Carter was invited by the electorate to leave the office of the presidency, the countdown began: certain serious shifts in economic and monetary policy would be implemented internationally, bringing about an economic boom and a return to stability in international relations, or universal economic collapse would ensue, resulting in the destabilization of those governments with the capability and the intention to overcome the economic crisis.

With the Reagan victory and his clear calls to get the American economy moving again, the world correlation of forces favored the progrowth leaders for the first time in years. The economic warfare and sabotage orchestrated



against Europe by the Carter administration was over.

The clear policy that Giscard and Schmidt have put forward over the past three years around the expansion of the European Monetary System with the development credit facilities of the European Monetary Fund could be put on the table for the Reagan administration.

It is this potential that the remnants of the Carter administration, the Socialist International, and British financial circles controlled by the European black oligarchy are working overtime to destroy.

And time is on their side.

The economic devastation of world productive capacity already achieved by the Volcker interest-rate policy, and the success of the environmentalist movement internationally in shutting down the construction and development of nuclear plants throughout the advanced and developing sectors, have already accomplished hideous levels of economic devolution. If aggressive measures are not taken internationally to change the situation by May of this year, the present collapse could be irreversible.

These are the conditions that define the "countdown" of the first months of the Reagan administration. And it is for these reasons that President Reagan was bound by the progrowth election mandate he received to "hit the ground running" and rapidly shift the catastrophic policies of the Federal Reserve.

### **A blackmailed President**

Last week *EIR* detailed the scandalous fact that key U.S. bankers who claim to "run" Paul Volcker had

succeeded in blackmailing President Reagan into constricting the progrowth platform on which he was elected. The blackmail involves the threat that should the President remove Volcker and his policies from the Fed, an immediate, internationally orchestrated attack on the dollar would ensue.

Reagan fell into the trap because he believes that these very powerful gentlemen have more power than they in fact do. He is misinformed on the real situation in Europe, where key bankers outside the City of London consider Volcker a dirty word.

Our *EIR* correspondents in West Germany, France, and Switzerland went to work gathering dozens of interviews with leading bankers and industrialists. The purpose was to get the exclusive story on the real pulse of Europe.

### **The response**

As one leading German banker told *EIR*: "If Mr. Volcker argues that if he leaves, the dollar will crash, this . . . is not true. Even if we feel that we should not intervene in American affairs . . . still, this does not mean that Mr. Volcker has our support. Not at all!"

A board member of the *Crédit Commercial de France* told *EIR* correspondents that "We feel not the slightest inkling of sympathy for Mr. Volcker. The level at which he has set interest rates is ruining us."

As we moved in to get this story from the men who run much of European banking and industry, the fact that the West German chancellor had voiced the same opposition to the Volcker policy was breaking into the



President Giscard discusses France's commitment to nuclear energy.

leading Western European newspapers.

The West German daily *Die Zeit* reported on Feb. 5 a call from the German Finance Ministry for the U.S., Great Britain, and France to join them in an "interest-rate disarmament conference." "If all the interest rates come down," reported *Die Zeit*, "then the Bundesbank can follow suit." The chancellor has been telling his associates: "now the Americans have to lower the interest rates."

The Europeans know that President Reagan would have the trust of the markets if he took a determined move against the interest policies that put not only the American, but also the European, economies on the verge of collapse. The dollar must take its strength from a prospering economy, they stated, not from artificially high interest rates.

The blackmail is a bluff. And key factions in Europe want Reagan to know it. But Reagan is surrounded by cabinet members and advisers who are in on the blackmail plot. As the gentleman in charge of European affairs for the Heritage Foundation, the Socialist International-run "conservative" think tank that has insinuated itself into all levels of the Reagan administration, said, "If that's what the Europeans think, it doesn't matter. The U.S. press will never cover it anyway."

### The economic dangers

The countdown is real, and the enemies of the EMS are playing for keeps. They are the same enemies who have targeted Ronald Reagan for Hooverizing and "Reangate," Giscard for ouster by the Socialist International in the spring elections, and Schmidt for destabi-

lization by the left-wing rioters within his own party.

None of these operations could be successful, however, without the brutal backdrop of economic collapse. For Europe, interest-rate hikes have been felt as economic warfare. For Germany, as for the United States, hand in hand with the death of the "sunset" industries by the credit crunch, goes the devastating effects of the virtual shutdown of the nuclear energy industry.

While President Reagan has pledged himself to the expansion of nuclear energy and the rebuilding of a strong America, Office of Management and Budget chief Stockman's budget-cutting endangers not only the expansion of the nuclear energy industry, but the crucial funds for research and development of fusion energy.

In the Federal Republic of Germany, despite the dedication to nuclear energy by Chancellor Schmidt, the environmentalist enemies of nuclear energy have won dozens of fights in the past weeks that threaten to retard the German nuclear industry by years.

If the many court-ordered moratoria on nuclear plant construction are not quickly reversed, this will spell economic catastrophe for Germany. Already, \$40 to \$60 billion in investments have been put in the deep freeze. The Franco-German determination to provide nuclear energy for the development of the Third World is also jeopardized by this sabotage.

The French, nonetheless, continue to build their impressive nuclear capability. In an interview with the Feb. 7 issue of *Jours de France*, President Giscard took the example of France's massive and expanding nuclear program to describe the "rationality and courage" with which the French population has met difficulties. Our nuclear program, he said, "has astonished the world. You ought to ask foreign heads of state; they are stupefied. That is rational courage. It is not the case that any actual danger exists, because every possible security measure has been taken. But many nations have not surmounted their apprehensiveness. The French have."

### Another summit

Another historic summit will take place in April when Chancellor Schmidt and President Reagan meet in Washington. The potential is great for a new alliance to rebuild the world economy, reawaken the industrial giant that is the United States, and create vast markets for high-technology products in the developing sector that will demand the expansion of all the industrialized economies of the world. Reason and courage will be essential to accomplish this task. But intelligence is also necessary.

The information in this special report, impossible to come by in the rest of the U.S. press, provides a crucial tool to ensure that the European offer is taken up by President Reagan.

# 'Nuclear power and world development'

*The following is EIR's translation of the official Franco-German summit communiqué issued in Paris on Feb. 6.*

The president of the Fifth Republic and the chancellor of the Federal Republic of Germany have closely examined the international situation, the deterioration in that situation, and the efforts required to reverse it. To the factors of destabilization and the dangers they represent to peace, they [Giscard and Schmidt] intend to counterpose resolute joint action by their two countries in order to contribute to that result. They express their determination to cooperate with the new American government in a spirit of confidence. They intend to ensure that three requirements prevail for the stabilization of East-West relations and the maintenance of peace:

1) The requirement of balanced security. It excludes the acceptance of a situation of weakness, as well as the quest for military superiority. It presupposes that undertakings to limit and reduce armaments respect the principle of the global balance of forces. It also renders necessary vigilance and dialogue. In reasserting their fidelity to the commitments of the Atlantic Alliance, in demonstrating their determination to maintain the defense effort where necessary, in working toward a disarmament conference in Europe aimed at adopting in a first phase measures of trust applicable from the Atlantic to the Urals, France and the Federal Republic are making a contribution to ensuring an equilibrium in security.

2) The requirement of moderation in political attitudes. Moderation is necessary, first of all, in relations between signatory nations to the final Helsinki accord, which defines the rules for that moderation. This signifies that it is essential that Poland be able to resolve its grave problems by itself in a peaceful fashion and without foreign intervention. This moderation is incompatible everywhere—within Europe and outside Europe—with recourse to force, with a politics of *fait accompli*, and with attempts to obtain unilateral advantages.

France and the Federal Republic of Germany,

referring to their declaration of Feb. 5, 1980 [on Afghanistan] and reasserting their condemnation of the Soviet intervention in Afghanistan, reaffirm that *détente* would not survive a shock of similar magnitude. The exigencies of moderation must, by the same token, lead, in the face of a crisis or conflict situation, to negotiations among all concerned parties. This is the significance of the effort undertaken by the Europeans in the Middle East, of the initiative of the Five [the United States, Canada, France, West Germany, and Great Britain] in Namibia, and of the French proposal regarding Afghanistan. It is also the significance of the support given by France and the Federal Republic of Germany to the Lomé agreements on the independence of Chad.

3) The requirement of responsibility in the face of the grave problems of the world, the struggle against hunger, poverty, and underdevelopment, the re-establishment of monetary and economic stability due to a more orderly trend in the price of oil, the strictly peaceful utilization of nuclear energy, are universal tasks. These objectives will only be reached through respect for the independence and personalities of the states and peoples of the Third World, and in the recognition of their aspirations toward a true non-alignment. In the sphere of economic assistance, it is necessary for every state in the world, whatever its form of government, to take a proper part in the establishment of an international order in which all peoples will find a guarantee for their security, opportunities for their progress, and respect for their dignity and liberty.

In defining those orientations, France and the Federal Republic of Germany are conscious of the duties of Europe. They are determined to assume those duties in solidarity with their eight [European Community] partners, to overcome the present difficulties within the Community, to assert the political cohesiveness of Europe, to ensure the stability and progress of its economy: those are the priority tasks in order to endow Europe with a role appropriate to its historic tradition.

# 'How Reagan can keep Volcker from wrecking his growth program'

On Feb. 8, EIR's Bonn bureau chief George Gregory interviewed the chief economist for the Bank für Gemeinwirtschaft, Dr. Eberhard Dettweiler. The Bank für Gemeinwirtschaft is owned by West Germany's major trade-union federation, the Deutsche Gewerkschaftsbund (DGB).

**EIR:** I'd like to hear your views on the present interest-rate storm between the United States and Europe.

**Dettweiler:** There are many factors involved, but basically it boils down to this: first, what will Reagan do? He'll cut taxes, he'll try to get more for defense expenditures, and he will try to cut social expenditures, but in my view, no severe cuts in that area will be possible without producing drastic political problems. All in all, if that is all that happens, I see the deficit in the U.S.A. going up, and with it, inflation.

Then, second, we will have to ask Paul Volcker what he wants to do. Will he increase interest rates even more; will he kill off, from the bottom up, the small and middle-sized industries, and move on to the big ones? I don't know a businessman in the world who can keep his shop running on 25 percent interest rates.

**EIR:** *Die Zeit* reports that Horst Schulman and the chancellor are initiating moves to convene an international interest-rate "disarmament conference" among Germany, France, the United States, and England. What do you think of this?

**Dettweiler:** I know this idea is being worked on, and I met Schulman in Bonn last week, but we didn't talk about this in particular. The way I see it, the idea is very positive, but we have a severe time problem. I fear very much an economic crisis like the developments of 1931 to 1932.

**EIR:** Those are pretty famous dates in economic history that you're naming.

**Dettweiler:** It's a time problem, as I said. Take one example, an example of something that we do know about Reagan's policies, his energy policy, deregulating oil and fuel prices. Now this *could* turn out to be a real push for this particular industry, but you have to look down the line a bit. To produce oil at home, the industry is going to need miles and miles of pipe, to say the least, and that, in turn, will give a boost to the steel industry, which really needs it. This same program would then also

provide excellent chances for the steel industry in other industrial countries. *But*, even if we took the plans for this out of the files right now—and I am sure oil companies in the United States have such plans ready—it would still take 6 to 12 months to see the effects.

**EIR:** And even if we take your example as a general one for the American economy, obviously it is going to need credits at interest rates industry can afford. But Paul Volcker, as is fairly well known in Washington, is black-mailing Reagan with the argument that if Reagan forces him to bring interest rates down, he will resign, and that would collapse the dollar.

**Dettweiler:** I see no reason at all why Volcker's resignation would bring the dollar down. For one thing, traders are very solid and careful people, and they don't want to lose their shirts in such a gambit. For another, the American economy is still basically strong, despite several years of horrible setbacks. We know this.

Therefore, if Volcker's resignation had any effect at all, this would be very slight. Reagan's basic program for economic growth, investment, and productivity, is exactly what is needed to give Americans back their sense of confidence in themselves. That is what is good, and on that basis, there is no danger of the dollar's collapsing.

**EIR:** Have you considered the potential for the new administration working with the EMS countries and re-establishing a gold link to the dollar?

**Dettweiler:** As I said, it's a time problem. The problem I see is that the political fight over the interest rates may take too long. Sure, we can discuss the EMS, we can discuss working back toward gold, we can discuss all that and more, but this can even wait for two years. The first thing is for Reagan to get the American economy going again, and we are not going to know that that is going to happen until we hear a lot more details from him than just repeated campaign promises. Once he says how he wants to get the job done, he'll get all the cooperation from us he needs.

**EIR:** Would you tell Reagan to get those interest rates down?

**Dettweiler:** That is what the American economy needs, and that is what we need. The dollar is flying high right now, but merely on hopes that Reagan will get the

economy going. For that the program has to come out in practicable detail, and if this does not happen in, say, four weeks, I fear a great disappointment is going to sweep the United States, and it will sweep abroad too, and then I fear that the dollar could decline very, very rapidly.

**EIR:** Why do you say four weeks?

**Dettweiler:** That's my tightest schedule, we could say the magic 100 days as the outside limit. But that is not the point. Reagan would actually only need about 50 days to show everyone that he has the economy marching on the right road—that would be the best for the United States, and the best for the world economy.

**EIR:** Would you then say Reagan ought to remove Volcker?

**Dettweiler:** I wouldn't put it that way. I would say get started on the tax cuts, take the hot air out of the budget, but be selective. With that, we go to Paul Volcker and say, "Look, we've set the preconditions. Now you bring those interest rates down."

*EIR's European Economics editor Laurent Murawiec interviewed Dr. Andreas von Becker, chairman of the board of Industriebank A.G.-Deutsche Industriebank of Düsseldorf, which does a major portion of financing for West Germany's Ruhr industrial region.*

**EIR:** What is your opinion of the West German Finance Ministry's proposal for an "interest-rate disarmament conference"?

**Von Becker:** The idea of convening an international conference for interest-rate disarmament with the Big Four countries is a very good one. Our sentiment is indeed that interest rates are too high. Our central bank governor, Mr. [Otto] Poehl, cannot bring the level of German interest down, because of the international consequences this could have—immediate outflow of capital.

Therefore, it would be very good to have a worldwide cut in interest rates, and it would be very good for the United States, too. This is a question we also ask ourselves: how long can U.S. industry go on with such interest rates?

An international across-the-board cut would be very effective. Present rates damage industry, housing, threaten those private individuals who indebted themselves. Of course, we wonder why credit demand is still high in the United States, but there is the other question—how long can U.S. industry survive that? I repeat: the idea of the conference, aiming at a joint effort to decrease interest levels, is very good. For internal reasons of our own, lower interest rates are needed. Then a little differential between deutschemark and dollar rates does no harm.

If Volcker resigns, I do not see any reason why the

dollar should go crashing down. Why should it? If the dollar went down slightly, it would do no harm to the U.S. economy! A decline from DM 2.15 to DM 2.00 to the dollar would be no catastrophe for the U.S. If the dollar has too high a parity, this does not help U.S. exports.

And if Mr. Volcker argues that if he leaves, the dollar will crash, well, this is not a good reason, this is not a good argument. He cannot say, "If I go, the dollar goes."

It is not true that Mr. Volcker enjoys the support of the international banking community. Even if we feel that we should not intervene into American affairs—what is good for West Germany is not necessarily good for the U.S.A.—even if it is not our job to criticize what our American friends are doing, still, this does not mean that Mr. Volcker has our support, not at all!

Let us have lower interest rates. Let the U.S. population tackle their problems and find their own way of doing that.

*EIR spoke with a board member of the Crédit Commercial de France who asked not to be identified, on the issue of the West German proposal for an interest-rate disarmament conference.*

The news of that international conference was predictable—but it is good news all the same! If such an interest-rate disarmament gets going, our own rates will come down. This will improve economic activity, it won't be bad for the franc; it will be good for the Americans, and good for the Germans as well. Let me be clear: we feel not the slightest inkling of sympathy for Mr. Volcker. The level at which he has set interest rates is ruining us.

## German business press reports anti-Volcker move

West Germany's widely read financial daily *Handelsblatt* took note of spreading calls to force Paul Volcker's resignation from the Federal Reserve in the United States. Headlined "Anti-Volcker Law Brought Forward," the article reports:

"A legislative initiative, whose sole aim is to remove Paul Volcker as chief of the Federal Reserve, has been brought forward by Congressman Byron Dorgan, a Democrat [from South Dakota]. Dorgan argues that Volcker is responsible for the high interest rates that are destroying the basis of the economy."