

## POLITICAL ECONOMY

# Europe Must Accept Brezhnev's Offer

by Dave Goldman

May 10 (IPS)—Reviewing their choices, Western European capitalist circles are now in the process of concluding that the Soviet Union's proposals this week for joint action against Nelson A. Rockefeller's nuclear madmen, and cooperation towards world economic development, constitute the only route open to them.

As the West German industrialists' house-organ Handelsblatt complained bitterly in its Friday editorial—citing the particular case of the German economy—Rockefeller and his allies have lied shamelessly about the true magnitude of the economic crisis. David Rockefeller's policy for the crisis, clearly expressed by his praise of Italy's "economic miracle" under conditions of Schachtian austerity, is thoroughly bankrupt. Well in advance of the June 30 international payments crunch, reviewed in the U.S. Labor Party's recent Emergency Statement on the economic crisis, the world monetary system is hemorrhaging at a score of weak points.

International trade is contracting at an annual rate pushing 40 per cent as a result of the Rockefeller depression policy towards the advanced sector, that is, loot where possible extend more credit where not. Nonetheless, several hundred millions of dollars' worth of trade commitments between the Soviet bloc and Western Europe have been added to the mass of existing East-West trade every week since late winter. Although current levels of trade expansion with the Soviets are negligible compared to the increase supportable under the International Development Bank framework, these deals represent the only significant batch of orders available to large sections of European manufacturing.

Western Europe's (and Japan's) trading dependency on the Soviet Union and its allies is roughly triple what it was a year ago, ICLC Intelligence estimates—this despite the acid predictions of such Rockefeller-allied "experts" as George Ball that East-West trade had reached certain inherent limits. To a great extent, the new trade negotiated this year has been financed with money freed momentarily by the contraction of trade elsewhere, that is, the mere transfer of existing capitalist facilities for trade-financing into the Soviet sphere. Within weeks, the process of trade expansion will grind suddenly to a halt, without the adoption of the Development Bank plan of U.S. Labor Party presidential candidate Lyndon H. LaRouche.

This explains the willingness of two Christian Democratic parliamentarians in West Germany to commit themselves to the IDB plan last week.

Otherwise, the state of the international monetary system is well characterized by the case of Italy. Were Italian central bank chief Guido Carli, the author of David Rockefeller's "miracle," a lowly

accountant, his actions during the past year would have drawn him a 20-year stretch in Federal prison rather than the praise of the New York banking community. In recent discussions with IPS, several leading New York financiers claimed that they had no fear of a wave of national bankruptcies, citing Italy as proof. Carli repaid \$500 million borrowed from West Germany last month, and made an extra installment or two on part of Italy's \$13 billion external debt. But how? Carli strangled production, reduced "costly" imports of industrial raw materials, and paid off two months' debt service bills.

But Italian banking sources contacted this week by IPS revealed that regional and local governments in their country are now engulfed by a wave of de facto debt moratoria, the direct outcome of Carli's book-juggling. Internally, state credit has already collapsed, in order to maintain the facade of national solvency abroad.

### Third World Moratoria

Added to this, the \$140 billion debt owed by underdeveloped countries is in immediate danger of general default, sources at the International Monetary Fund confirmed this week. Every Third World member of the dollar empire's caretaker organization is now under a Dun-and-Bradstreet-style credit review, a situation without precedent in the Fund's 30-year history.

Nonetheless, IMF sources said, not one loan has yet been approved from its \$4 billion "extended oil facility," a war chest for emergency cases in the Third World (including Italy)...because the IMF has found no "creditworthy borrowers." As certain New York bankers, such as George Ball's firm of Lehman Brothers, have emphasized, the IMF cannot bail out the monetary system without going bankrupt itself.

The same is true for the World Bank, which, according to spokesmen, "cannot afford" to re-schedule the payments on its loans, in order to "meet its own international obligations." At a Paris meeting this week, the Bank turned down an urgent request for loan re-scheduling from two debtors, Pakistan and Tanzania.

At the level of the leading international banks, no money is going out for "normal commercial banking reasons," financial sources report. New loan volume is less than half of last year's, and directed exclusively towards countries or corporations in which banks have large previous commitments, and prefer re-financing to the prospect of default on much larger masses of debt.

Immediately, this process threatens to devastate West Germany and other trading nations. German reconstruction following World War II has been financed with very large volumes of bank credit, at a level roughly twice that of American debt-to-output ratios. High levels of debt service can be sustained, the West Germans are aware, provided that

they are surpassed by higher levels of production increases. But the national credit system cannot stand a sustained dropoff in economic activity. Neither can Japan's, where corporations paid 19 per cent of their total revenue to retire debt obligations, last year apart from the portion of debt payments met by the extension of new "roll-over" credits.

In this regard, David Rockefeller's "best efforts," from the January IMF meeting which created the unusable "special facility," to the trip to Italy two weeks ago to announce the new "economic miracle," are viewed as a cheap confidence game by large sections of the international financial community.

Resistance to the Rockefeller faction on the part of European capitalist elements is an entirely new ball game—although certain of the principals do not yet fully understand why themselves. During the past fortnight, the ICLC's mobilization against the thermonuclear war threat raised up the prospect of the political annihilation of the Rockefeller faction once and for all. Considering the intervention in the U.S. Congress by Sens. McIntyre, McGovern, and others, the West German politicians, industrialists,

and military are aware of the immediate consequences of a successful fight against "counterforce" within the U.S. for their own situation. Such agents as Chancellor Helmut Schmidt and Thyssen Steel magnate Curt ("I am an American agent") Birrenbach are very close to being immobilized.

Rather than politely debate the importance of good relations with the Soviet Union and the possibility of using ruble credit to finance East-West trade, as two months ago, the schlotbarone are grimly setting about the business of creating the political machine appropriate to call the shots on these questions (see article this issue).

But these gentlemen have yet to declare themselves publicly on the most important issue: the Soviets' offer, which parallels closely our own programmatic thrusts. The Rockefeller faction is demonstrably incompetent to hold the economic situation together, even if it were to survive the rage of every sane element of society against its nuclear ambitions. No political faction of any coloring in Europe can operate on a day-to-day basis against the pressure of economic crisis, except on the basis the Soviets propose.