West Germany Builds Resistance to War Drive

Nov. 6 (NSIPS) — A crash deployment of the war clique behind Jimmy Carter to West Germany this week to extend the "cold coup" to the Atlanticists' supposed hell-or-high-water ally has met a strong resistance. Visiting U.S. Senator Sam Nunn's campaign to mass NATO forces on the East German border for a blitzkrieg against the Warsaw Pact has confirmed the war danger to apprehensive West Germans. At the same time, Carter advisor and former Defense Secretary James Schlesinger appeared on national television to convince West Germans that "the Soviets have abandoned strategic warfare," an alleged factor which would permit NATO troops to march into Yugoslavia.

The only voices in West Germany to welcome Carter and war have come from Georgetown University-trained Christian Democrat Carl Carstens, who crowed that Democrats are always tougher against the East bloc, and Social Democratic Party chairman Willy Brandt, who stated yesterday that the Helsinki East-West cooperation accords have "aroused unfulfillable hopes."

After his outspoken pre-election support for Ford, Chancellor Helmut Schmidt has remained firm in that preference despite the tradition of automatic West German fawning before any White House designate. Schmidt's congratulations to Carter referred to the Bicentennial spirit and "security, peace and progress," ironically ending, "In the great tasks on increasing the well-being of the Western community of peoples and serving world peace, you will find the Federal Republic of Germany on your side." Schmidt also sent President Ford a telegram citing "the unprecedented degree of friendship and mutual understanding" achieved during his administration and ending, "I look forward to continuing this personal relationship."

Last week the cabinet made a unanimous decision to fire two "utopian"-faction Air Force generals who had defended a colleague's current Nazi activities by demanding a purge of the pro-peace Social Democratic machine leader Herbert Wehner on grounds that Wehner was once a Communist. Secondly, the West German cabinet has refused to replace Inspector General Armin Zimmerman with Gen. Harald Wust, the utopian pushed by the pro-war faction, thus blocking a takeover of the Defense Ministry by the NATO forces of paper-clip Gen. Alexander Haig.

This governmental firmness reflects an exceptionally broad realization among industrialists, Christian Democratic politicians, trade-union leaders, and Social Democratic functionaries that Carter's controllers are bent on war. Atlanticist foundation operatives are privately agreeing with top corporate officials that a West German break with the U.S. could be "quite reasonable under the circumstances" of a Strangelove administration in Washington. The Kennedy crew's 1960 war provocations were tolerated, not welcomed; a return of those advisors generates sheer horror at a time when, despite Schlesinger's rhetoric, Soviet commitments and superiority are well known.

Following widespread West German media summaries of the U.S. Labor Party presidential candidate's Nov. 1 telecast warning against thermonuclear vote fraud, West German coverage of the election results streamed with terror — including a channel 2 profile showing Carter as a provincial, power-mad, test-tube creation who, like Hitler, collapses under pressure. In the past three days, West German radio and television have credited the U.S. Labor Party with prompting Republicans in five states to contest the vote fraud. However, the reports are punctuated with slanders circulated on national TV from the networks' Washington correspondents calling the party "inconsequential" and "half-Communist, half-Fascist" while, in one case, warning the party to "keep hands off" the fraud issue. Similarly, today the Stuttgarter Zeitung, a major Social Democratic newspaper, decried LaRouche's charges that Carter's consolidation of power in the U.S. means war by mid-1977 — a backhanded reporting of the USLP's international stature and its message.

Eurodollar Bankers Behind Carter Have Shut Down World Trade

Nov. 5 (NSIPS) — During August and September, the major international economic graphs of trade, production, and standard of living took clear and simultaneous downward turns for the first time since Wall Street announced the international upswing last fall. This was no statistical fluke. The downturn, seen in long-term perspective of the entire post-war era, is a world-historic conjuncture.

The men behind Carter, David Rockefeller, George Ball, and the rest of the Eurodollar market debt merchants, are strangling the living, totally interdependent world economy. The growth of $1 trillion in international dollar debt they trade and multiply daily has, since 1974, closed off the real trade of the Third World and the Comecon sector. Since then, real overall imports of the Third World have fallen 20 per cent, and industrial imports, 40 per cent.

Western Europe and Japan have no choice but to join the Third World in immediate debt moratorium. The blocking off of Third World and Comecon trade, the key margin of expanding world trade, has dismembered world trade as whole.

The only sane concept of global economics is **absolute profit** — the absolute and escalating growth of the economy as a unit. The industrial world's opening for expanded productive investment is the industrialization of the human and natural potential of the Third World and Eastern Europe. The failure to do so has produced since 1974 the absolute decline of capital goods and technology in Europe and Japan.

The so-called upswing of 1975-76 has created the conditions for international genocide. Budget deficits of over $50 billion were run up in Europe and Japan, 90 per cent of which went to pay debts or create new debt. Meanwhile the guts of the industrial economies deteriorated while the Third World continued straight downhill. The credit ration which the Eurodollar banks have imposed upon the Third World will result not only in immediate mass starvation and epidemics there, but in mass unemployment in the industrialized West.

The Third World and the Eurodollar Market

The very existence of a "Third World" and that of the Eurodollar market are as mutually dependent as slavery and slave traders.

The post-war monetary system depended on the stagnation of the Third World. While Europe and Japan received huge investments for their cheap, but skilled labor, the rest of the non-

Communist world was plundered of raw materials. The only investments were the picks and shovels to cart them away.

By the mid-1960s, Western Europe and Japan were as built up industrially as possible in and of themselves without expanded markets for their products. Because of the low quality of investment both there and in the Third World, the absolute profit of both sectors was actually negative. That is, payments due on principle and interest of debt were claiming far more than incoming revenues, completely eliminating buying power for expanded foreign trade.

A way had to be found to take the aggregate debt paper of the world and use it as the basis for new credit to be issued at an exponential rate, fast enough to re-finance the old debt coming due and have enough left to finance at least a small margin of increased trade and production.

The first Eurodollar deposits were set up in the London branches of the major U.S. and British banks in 1965 for this purpose. The banks simply took dollar-denominated deposits, both in cash and in debt IOUs held by their New York and other branches (i.e., corporate debt or bonds, loan IOUs from Third World and other governments, etc.). But, for the first time in history, since these dollar accounts were under the control of no government, and so had no reserve requirements, the banks used them to create new credits "from 1 to N times the size of their deposit base" as one Wall Street insider put it. (Normal reserve requirements set a ceiling for new creation of bank credit at 10 times the deposits they hold in reserve.)

From then on, Third World governments and their commodity resources had one function — to receive the new credits and pay the interest. Credits for commodity speculation and related infrastructure boomed, and the amount of sheer paper dollars in the world relative to actual production grew so fast that by August 15, 1971, the dollar was devalued from gold.

Since that day, the growth of the Eurodollar market has grown from less than $100 billion to $600 billion. Within three years, by fall, 1974, Third World debt soared from $100 billion to $250 billion, or 150 per cent. In spite of this, imports grew from $63 billion to $159 billion according to the United Nations, or only $152 per cent, in money terms. In **real terms** at 70 per cent export price inflation, the actual import increase was only 48 per cent.

Even more devastating is the picture of the non-oil producing Third World nations, whose imports during the same period in real terms grew only 43 per cent.

The paltry rise in imports took place in spite of the world's record boom in prices of Third World raw materials exports which rose 250 per cent between 1971 and the summer of 1976.

Both European, Japanese, and Third World debt, however, soared on the basis of raw materials prices. By summer, 1974, all were cutting back on their orders for industrial goods sharply, as can be seen in West German foreign orders, which dropped 10 per cent during the end of 1975. The minute this was seen, corporations internationally began dumping their raw materials stockpile and by fall 1974. commodity prices went through the floor. The greatest depression in history was on.

The calls of William Paddock, George Ball, and other leading Wall Street spokesmen for the elimination of 30 million "useless eaters" in Mexico and the triage of populations elsewhere date from fall 1974. Since then, real overall imports of the Third World have fallen 25 per cent, while the crucial segment of industrial imports has dropped by more than 40 per cent.

During the same period, the overall debt burden of the Third World kept on multiplying from $250 to $350 billion, while the debt service — annual payments due on principal and interest — grew from $27 to $40 billion.

A closer look at the composition of non-OPEC Third World imports since fall 1974 reveals worse. For political reasons, agricultural imports have generally been kept flowing in. U.S. agricultural exports to the Third World rose dramatically over the period to a full 25 per cent of all U.S. exports there, taking in windfall profits to make up for collapsing food consumption in Western Europe and Japan during the period.

Underneath this facade of apparently maintained consumption, the rest of the non-OPEC Third World economy went to hell. Industrial imports declined drastically,especially from Western Europe, while Japan managed to hold the line in money terms by price cutting. Imports of heavy machinery and basic capital goods virtually ceased, as the World Bank and the International Monetary Fund demanded of country after country the cessation of all capital-intensive development projects in favor of Maoist mass agricultural hand labor.

Furthermore, light industrial goods and technologies fell drastically. Fertilizer imports collapsed. West German fertilizer exports dropped from 125,000 metric tons per month in mid-1974 to 75,000 metric tons per month. Medicine, medical technologies, hospitals, and educational related imports and industries in the Third World declined absolutely for the first time in history.

Western Europe and Japan need the trade of the Soviet sector just as much as they do that of the Third World. Starting in fall of 1974, however, with the blow-up of the debt spiral and prices internationally, their exports to Comecon went flat or began to decline, although this was just at the point where much talk began to be made of East-West trade.

The political factor cannot be discounted; added to the economic difficulties of the situation was massive U.S. political pressure on its allies to cease their trade credits to the East.

The economic downturn in the West has further accentuated Comecon import capacity as its exports cannot be sold on the shrinking Western markets. Meanwhile, Comecon debt has grown from some $5 billion in 1971 to over $40 billion by the end of this year.

West German, French, and Japanese exports to the Soviet Bloc dropped 10 to 15 per cent between the middle of 1974 and the present.

Europe, Japan Need Triangular Trade

The new industrial economies of Europe and Japan were created after the war as export machines. Meant to produce cheap consumer goods, they nevertheless built up high technology producer goods (steel, chemicals) and capital goods (machinery, plants) sectors. After 1965, the only possible opening for industrial progress for Europe and Japan was a rising consumer standard of living in the Third World and Eastern Europe, and increasingly, markets there for producer and capital goods.

European and Japanese exports are overwhelmingly industrial, and 25-30 per cent of Western Europe's exports go to the non-oil Third World and Comecon. Over 40 per cent of Japan's exports go to the non-oil Third World, and 10 per cent to Comecon.

No further explanation is needed for the post 1974 net decline in industrial production of 10 per cent-20 per cent in real terms in these countries. On the whole, even considering the upward blip of 1975-6, production has gone straight to pieces.

West Germany, the hub of industrial Europe, the economic miracle and the presumed healthiest nation on the continent, is an export machine shut down. So profound has the effect of the collapse of triangular trade been that every underlying economic indicator that counts in West Germany shows terminal illness.

* Production of capital goods for export since its boom right after the August 1971 dollar devaluation, rose right along with the Eurodollar market — only to fall virtually right back to 1972 levels after the Fall 1974 Third World import bust.

* Overall machinery production, including key machine tool

sectors, barely rose back to its 1970 height with the post-1971 boom, and collapsed terminally after fall 1974, 20 per cent to date. This is the highest-technology content sector of the entire West German and European economy.

* Production of steel for export outside Western Europe shows the huge boom-bust fluctuation of this basic material for world industrialization. Since the 1973-4 boom, real production for export has fallen over 30 per cent.

* Overall fertilizer production, most of which is exported to the non-OPEC Third World, shows the most extreme collapse, hitting directly at food.

Overall fertilizer production has fallen from 132,000 tons per month to under 96,000 tons per month.

These trends hold true for virtually every European country and Japan. The long-term potential of the economies for reproducing themselves, the basic capital goods and technological industries are being closed down as useless.

The "Upswing" of 1975-6

Panicking but impotent to revive their economies, the governments of Europe and Japan in the summer of 1975 participated in a collective fantasy. Printing up some $30 billion in government expenditures (deficits) they financed a consumer boom, hopingsomehowthat the underlying economic base would be magically awakened by chain reaction.

On a graph of industrial production in the period from 1970 to 1976, the recent upswing appears as no more than an insignificant upward blip. The overwhelming proportion of the recovery's effects were purely domestic in individual countries. The typical West German program contained housing and public works construction, increased consumer loans through government and encouragement to private banks, and subsidies for new machienry investment. Auto production in particular soared.

In comparison to the distorted three-month rise in domestic orders in the fall of 1975, foreign orders continued flat.

Furthermore, what trade actually took place did so only because corporations engaged in export price cutting. During the third and fourth quarters of 1975 export prices of the industrial countries fell precipitously in the midst of record general inflation. Companies, already running at a loss, took even more losses on their cost of production to get into the export market which they thought would eventually show some real demand increase. Whole industries had record 1975 net deficits such as French steel, where every major company lost over 1 billion francs, which in most cases was less than the interest and principle due on the company's debt for 1975 alone.

Not only was trade not substantially revitalized between the industrial countries, but what trade did occur did so at the expense of net reduction (**accumulation**) off the absolute profit of each country's industrial base.

The Third World and Eastern Europe were not touched by the "upswing." The upswing propaganda was pure political hype — don't declare a debt moratorium, the upswing is coming!

The August-September Breaking Point

The most basic fact about the upswing was that it couldn't last. It resulted in a net actual reduction of global absolute profit because it allowed the real capital goods base of the advanced sector to continue deteriorating, along with the entire Third World economy, under the cosmetic surface of the apparent consumer boom.

As long as the $1 trillion debt remains intact, the game continues of printing enough money to roll it over **plus** a margin for net real production. To avoid Weimar inflation, the gross sum printed has upper limits, and if the debt is allowed to grow, credit for real production is inexorably squeezed out.

Beginning in August-September 1976, reality exerted itself as international economic indicators across the board fell drastically. European auto production, the heart of the "recovery," led the trend, followed by general European economic production, trade, foreign and domestic orders, and so forth.

The immediate reason is disturbingly simple — the new money had run out. Consumers had piled up record debts, especially on auto loans at effective 20 per cent interest rates, and government housing loans. The expansion was never enough to produce any increased spending on plant and equipment worth noting; in West Germany, it will decline by 15 per cent in real terms this year.

Just as with the 1974 raw materials bubble, orders started tapering off in auto, appliances, and other consumer goods, and a chain of panic began. Auto and appliance manufacturers hurriedly cut back on their orders of capital goods and steel, rubber, and other producers' intermediate goods; soon orders were cut down the line.

Even before the downturn began, the general collapse of world trade had been enough to put Britain, Denmark, and Italy into bankruptcy, with France right behind. The constriction of the Third World markets had so heightened competition for markets with West Europe that these countries virtually could not sell their exports, beginning last January, while their oil bills soared under the world inflation generated by the 1975 recovery spending spree. the bankruptcy of the Third World fed back into Europe immediately. So widespread was the realization that Britain and Italy were bankrupt that runs began on the pound and the lira, then on the French franc, in the first quarter 1976.

Beginning in September 1976, in order to mitigate the collapse of their currencies, these countries at the behest of their Eurodollar market bank creditors began over $30 billion in austerity cuts from their government spending on industry, housing, education, public services, and credits for trade. The results do not even begin to show in available trade figures, but the cuts will result in import decreases by one-third to one-half for Italy and Britain, and cause unemployment so great that the consumer industries will close altogether.

The dropoff of U.S. and other agricultural exports to the Third World beginning in September is a preview of mass starvation in this sector. While agricultural imports of the Third World had not until September declined tremendously, the fall in fertilizer imports and industrial imports show also the drop in real expenditures on housing, medicine, sanitation, and infrastructure, so that beneath the surface lies a rotten base economy. Any fall at this point in nutrition will trigger epidemiological disaster. The spectre of what has been done to the underlying human economy of the Third World has yet to hit the industrialized West with full force.