Carter Presides Over Collapse Of World Economy

The announcement Aug. 25 that the U.S. racked up another huge trade deficit in July — "only" the fourth largest on record at $2.33 billion — together with other fresh evidence of the collapse of the world economy, sets the seal on the Carter-Mondale Administration's over-proven incompetence on national and international economic policy. It is this central issue upon which the entire U.S. Administration — including the de facto new members Henry Kissinger and Mondale-ally Felix Rohatyn of Lazard Freres — deserves to be Watergated and indicted.

Rohatyn and his "liberal" New York investment bank friends are standing by with a depression "100 days" program based on "energy development" projects and ghetto "rehabilitation," the essence of which is to turn the clock back on capital-intensive, high-technology U.S. industry and agriculture in favor of unproductive make-work jobs programs.

As everyone knows who watched the found-out sinner virtually decompose in front of the nation at his press conference on Aug. 23, Jimmy "Hoover" Carter has been reduced to the status of a limp puppet, unfit to do anything but passively preside over the worsening economic mess that he and his ventriloquists have helped to create.

The Carter Administration and all of its financier prompters have, in fact, brought the world economy to the verge of a new depression. That reality is now widely recognized throughout U.S. business and financial circles and accounts for the 15 percent, 150 point drop in the stock market since Carter took office last January. Reflecting the growing discontent, the *Wall Street Journal*'s Aug. 26 editorial, "White House Shadow-boxing," runs through the economic crimes of the Administration to date and criticizes the incompetence of the "liberal" pushers of Humphrey-Hawkins full employment bill as well. The fact that only the U.S. Labor Party has made public a programmatic alternative to the Administration's economic incompetence — crash development of nuclear energy and recapitalization of U.S. industry in the context of generalized debt moratoria and worldwide development — has made it the Administration's number one enemy.

Fed Flip-Flops

Since the beginning of this year, the U.S. Federal Reserve has alternated between a policy of pumping out liquidity to roll over international debt and one of raising interest rates as a token gesture to check inflation and stabilize the faltering dollar. The effect of Fed Chairman Arthur Burns' flip-flops has been to destroy beyond repair confidence in the dollar at home and abroad.

After allowing the basic money supply to grow at an annual rate of 18.5 percent in July, Burns slammed on the tight money brake at the end of the month in the name of stabilizing the inflated dollar in the world foreign exchange markets — leaving up in the air the survival of the worst-off New York banks. Last week, in response to the howls that Burns was about to crumple the U.S. economy ahead of schedule, the Fed took a respite from jacking up interest rates. However, this has left the future of the dollar an open question.

The July trade figures released by the Commerce Department on Aug. 25 revealed another gaping hole in the country's trade balance. The only reason the dollar didn't plummet in response was the fact that forecasters had expected a much bigger deficit than the $2.33 billion reported. In July exports continued to stagnate, while imports fell 3.5 percent from June due to a decline in the dollar value of oil and coffee imports. The decline on the oil account stemmed from the combined effect of the slowdown of the economy and growing inventories of oil stocks throughout the country. In the case of coffee, it was primarily collapsing prices that brought down the import bill. In the first seven months of the Carter Administration, the U.S. has recorded an unprecedented $14.9 billion deficit, amidst Treasury Secretary Michael Blumenthal's unconcerned predictions that the deficit could top $25 billion for the year.

A New Menace Faces Carter — The Economy

The following is excerpted from a syndicated column by Rowland Evans and Robert Novak published in the Aug. 25 Washington Post.

A key Carter Administration economic policy-maker has privately acknowledged a menace facing President Carter that politically could be worse than the Panama Canal, Soviet relations and the Middle East put together: the economy slowing down.

"I would say," this senior official told us, "that the economy for the rest of the year is tenuous at best." What it may be at worst, he hinted, is a declining economy — in harsh words, a recession. The reason this forecast is so chilling is that it comes from a policymaker who publicly sounds only cheery optimism for the future...

Durable Goods Plummet

Within the U.S., factory orders for durable goods dropped 4.4 percent in July, the sharpest month-to-month drop in two and a half years. Contrary to the claims of the Commerce Dept. that one-month "aberrations" such as the government's cancellation of its B-1 bomber contract accounted for the drop, the figures reflect an 8.7 percent fall in orders for new plant and equipment and a 16.4 percent drop in transportation equipment orders. The latter figure hints that the consumer debt-fed auto sales "boom" may have popped.

In response to the spreading worldwide depression conditions, the steel industry — the backbone of U.S. industry — has, under orders from Wall Street, started the process of eliminating unprofitable capacity. According to Blyth Eastman Dillon, the brokerage house with which former Treasury Secretary William Simon is now associated, the recent moves by Bethlehem Steel to shut down 10 percent of its capacity are only the beginning. Under present slump conditions 7-8 percent of U.S. steel capacity is excess and obsolete, says the brokerage house, and is going to have to go — along with the jobs of some 42,000 steel workers.

Business and consumer confidence has been collapsing even faster than the economy itself. Albert Sindlinger reports that the decline in consumer confidence last week was so sharp that it was exceeded only once before in the 22 years that he has been conducting his survey. Sindlinger blamed the plunge on the recent passage of Carter's anti-industry no-energy program by the House, rising interest rates, and the downward trend of the stock market.

The European Economy

The effects of the U.S.'s debt collection economics have, to date, had a more devastating impact on Europe's export-oriented economy. The U.K. again looks like "the sick man of Europe." U.K. unemployment reached a post-war high of 1.41 million in July, according to reports released last week. The number of jobless has increased an average of 33,000 a month for three months running.

On Aug. 25 *Handlesblatt*, the daily of West German industrialists, announced: "The Upswing is Dead." Last week all of the West German economic institutes issued equally bleak reports on the outlook for the export-oriented West German economy. In July orders from the Third World and Comecon failed to fill the gap left by the decline in orders from the industrialized countries. In response, the Felix Rohatyns of West Germany, SPD party leader Willy Brandt and the pro-public jobs wing of the party, are making a renewed call for public service employment, including programs to get the unemployment into the woods Nazi Labor Front style.

Wall St. Journal Finds Carter-Mondale 'Overwhelmed' By Economic Problem

The following is excerpted from the Aug. 26 lead editorial in the Wall Street Journal.

One of the clearest signs of trouble in an enterprise public or private is when the management feels so overwhelmed by the fundamental problems facing it that it turns its attention to secondary issues...It's like the old joke of the fellow who drops his keys in the middle of a dark street, but looks for them on the corner to have the benefit of a streetlight.

The keys the Carter administration has dropped are those to the economy. Mr. Carter was lucky enough to inherit a mild recovery...But his administration has been frittering away its legacy — through the $50 rebate mistake, by jawboning the Fed for faster money growth, by talking down the dollar and above all by almost unwittingly proposing massive tax increases in an energy program and Social Security reform.

...Leading indicators have been down two months running. Durable goods orders are off. Final demand is on a slowing trend. Despite the tightness of the last four weeks, money growth remains out of bounds.

...The sensitive financial nerve ends are sounding alarms of a Carter recession. The dollar continues to fall...the stock market is down more than 125 points.

The administration finds its energy absorbed, meanwhile, debating how many angels can dance on the head of Bert Lance. And judging by leaks to the press, the administration is falling into internal feuds...

The liberal crowd, unhappy because the Carter economic team has been stymied by the economic puzzle so far, wants to further expand the Humphrey-Hawkins idea, i.e. having the government hire another several million people. Messrs. Califano and Marshall are not hostile, which makes them good administrators. Messrs. Schultze and Blumenthal are hostile, making them bad administrators.

It's true that Messrs. Blumenthal and Schultze are guilty...in the economic mistakes so far...Their biggest fault is not being strong enough; in particular they should especially have shouted that the energy bill would make it impossible for them to discharge their responsibility for economic management...

The only way they can avoid (the Lance treatment) is to assert themselves on behalf of policies that will keep the economy healthy...freeing the energy market...insisting on tax reform that promotes growth instead of "equality," resisting megabuck welfare work schemes, and arguing for a monetary policy tight enough to stabilize the dollar...

Enter Felix the Fixer

With the psychologically weak U.S. president effectively out of commission as a result of the spreading Lance scandle and his bad press, the social fascist Mondale crowd has taken up the reins of economic policy. On the Op Ed page of the *New York Times* Sunday, Aug. 21, investment banker Felix Rohatyn, who as chairman of the Municipal Assistance Corporation is the individual most responsible for destroying New York City over the last two years, laid out his Schachtian program for destroying the whole country's economy.

As detailed by Rohatyn, the "Mondale" program involves broad welfare "reform," the expansion of the present CETA public employment program, the creation of a federally financed Urban Youth Corps "to get unemployed teenagers off the streets and put them to work restoring or rebuilding devastated ghetto areas," and involvement of the private sector in such programs by offering it tax incentives and "trainees" at "possibly less-than-minimum wage scales."

The fulcrum of Rohatyn's depression program is, in his own words, "a 1970s version of the Reconstruction Finance Corporation of the 1930s" to finance ghetto "revitalization" and domestic energy "development." But Rohatyn effectively announced the Mondale crowd's bankruptcy to pull off such a grandiose fascist plan in demanding that OPEC be the major source of financing for such slave-labor projects to make the U.S. energy-independent!

Get Rid of Industry

Rohatyn's program goes hand-in-hand with Wall Street's ongoing strategy of cartelizing the depression-wracked world economy through mandatory production limitation agreements and shutdowns — following the model of Nazi finance minister Hjalmar Schacht to a tee. This week the Gallagher Presidential Report, an economics newsletter with wide circulation in corporate circles, says that the U.S. steel industry is "too mature," as is the auto industry, and both will have to be rationalized into semi-public corporations like Conrail or Amtrack in the period ahead.

This Schachtian "solution" to the depression-induced worldwide glut of commodities is being posed for virtually every sector of the economy. U.S. sugar refiners and their Wall Street bankers are in the process of resurrecting the 19th century Rothschild sugar trade — favoring imports of sugar from plantations in the West Indies, the Philippines and other debt-strapped Third World countries, while allowing U.S. producers to be driven into bankruptcy by falling prices, drought, and the deliberate destruction of irrigation projects.

Typifying the situation in the copper industry, Asarco, Newmont Mining, and the other U.S. companies which jointly own Southern Peru Copper have doubled output of copper from their Peruvian mines over the last year, as part of stabilizing the country's debt position and "recovering our capital." Meanwhile, they are shutting down their capital-intensive U.S. operations by 15 percent.

Lancegate Becomes Cartergate — September Constitutional Crisis Likely

Washington sources are predicting that go-go banker Bert Lance will be gone from his post as the Carter Administration's Budget Director by Sept. 1, as the national press last week ran almost daily demands for his resignation. Among the new "Lancegate" scandals to receive heavy play were the revelations that Jimmy Carter himself had accepted campaign "free rides" on an airplane owned by Lance's bank; that Carter too had followed the Lance practice of "routine overdrafts" on his personal account," and that Lance had used the same collateral for two separate bank loans. As the press repeatedly noted, Carter's own defense of Lance, both in person and almost daily through his press spokesman Jody Powell, was only getting the President in deeper. "If this had been Nixon, impeachment would have been demanded," the Aug. 25 *Baltimore Sun* noted pointedly. "Inevitably...White House tactics...are beginning to draw comparison to the way Richard Nixon's staff dealt with Watergate."

Moreover, "Lancegate" has proceeded amidst a barrage of open attacks on Carter's handling of foreign policy, and most significantly, the U.S. economy — including blasts from widely read syndicated columnists Evans and Novak and the *Wall Street Journal.* (see National Report for extended excerpts from U.S. press attacks).

Sources close to the Republican National Committee, however, are saying that the anti-Administration offensive will stop short of a full-scale Cartergate. Indications are that both forces associated with Ford Administration Treasury Secretary William Simon, and the Lazard Freres-Felix Rohatyn investment banking crowd associated with the *Washington Post* are still figuring on using the Lance scandals to bludgeon Carter into accepting their diverging views of economic policy. The Rohatyn crowd is pushing hyperinflationary make-work jobs programs through the Humphrey-Hawkins bill, through regional development banks, and through a federal banking reorganization along the Mussolini-style lines proposed by the Proxmire-Reuss FINE bill in Congress (see National Report); the Simon-Wall Street Journal grouping is relying on traditional Republican tight-money recipes, tax breaks for business, etc., while dropping hints that they are ready to pursue a hard-commodity credit policy on behalf of economic growth. The continued mention of Chase Manhattan international advisory board member Henry Kissinger as "the alternative" to Administration foreign policy, together with trial balloons in the press on "energy development projects" reminiscent of Nelson Rockefeller's Project Independence schemes, suggests that the Rockefeller forces,