

Bank's embrace of "rural development" and its simultaneous abandonment or "reorientation" of development projects in the "traditional" sectors, a euphemism for capital-intensive industrialization programs.

In jargon that belies the pen of cost-accounting specialist McNamara himself, the Report ridicules "some" Third World governments which "have adopted technologies that are more capital-intensive than are appropriate to their factor endowments." These governments are presumably among the many countries "who felt that only through rapid growth could they begin to close the economic gap between them and the industrialized world!"

The World Bank entertains no such "myths," and, as its Annual Report insists, will continue to demand of Third World governments that any policies and other measures that encourage "inappropriate" capital-intensity "be corrected."

The Bank explicitly premises the future success of its "reorientation" on the "policy improvements and ad-

justments" engendered in the developing sector in the wake of "the recent economic shocks" — the monetary crisis, oil hoax hyperinflation, and advanced-sector industrial and trade collapse that prompted the IMF to enforce import austerity and other debt-collection measures that have crushed the Third World economies. Since McNamara premiered the Bank's no-growth "rural development" perspective in 1973, the Report boasts, the proportion of Bank funds devoted to reinforcing the IMF wrecking operation (and thus diverted from industrialization and other forms of "traditional" development) have jumped from 53 to 61 percent.

Lest there be any doubt of the Bank's "new style" policy, the Report emphasizes its stepped-up commitment to including population control schemes as a mandatory feature of all of its projects and announces a special new concentration on "sociological and anthropological assessments" to gain "greater understanding" of the "social and cultural constraints affecting the rural poor."

Where The Fight For Arab Money Stands

West German banks revived the Jürgen Ponto plan for a German-controlled Luxemburg gold market to attract Arab funds into a new gold-backed monetary system. But as of this writing the vast majority of the OPEC funds are reliably reported to still be deployed in "privately placed" unpublicized debt rollovers or in Eurodollar market deposits and U.S. Treasury debt, as has been true since the 1973 October War. Arab, especially Saudi, terror of Wall Street threats of a Mideast war, coupled with indecision in Europe's coordination for a new monetary system, have thus far preserved the status quo.

During a New York stopover this week, Richard Hambros, a senior partner in the core City of London Hambros merchant bank, spelled out the pitiful but authoritative truth about the OPEC funds' placement so far. Earlier this year, most petrodollar funds specialists among money market analysts, including even a furious Chase Manhattan Mideast Advisory Service, were reporting that the Saudis, Kuwaitis, Iranians, and other OPEC nations were determined to move their funds out of bank deposits and U.S. Treasury debt and into long-term productive investment in U.S. and European corporate equity and energy development projects. Prominently mentioned were the Shah of Iran's intent to invest in French and West German fusion energy research and fission-related engineering companies such as Siemens, and Kuwaiti examination of a multi-billion-dollar joint venture with the West German government and several West German firms for energy development projects in the Soviet Union.

Nothing ever materialized: the Arabs are "too terrified of the political implications of equity investment and European political instability," Richard Hambros states. Instead, he says, the estimated \$40 billion of

OPEC's invisible monetary surplus has been and will be deployed as follows in 1977:

\$5 billion	Already paid in direct, "gift" bailouts of desperate Third World countries which could never borrow on the capital markets, bankrupt Egypt being one prominent beneficiary of this operation.
\$5-7 billion	Placed in dollar deposits in British and New York banks, and earmarked specifically for these banks to relend to Brazil and Mexico themselves, which had combined principal and interest payments due of close to \$15 billion this year. Due to the collapse of commodity prices, this debt could not possibly have been rolled over without the aid of the Arab funds.
\$5 billion	Placed in Arab purchases of the Eurobond debt issues of European government agencies such as the British Coal Board. This amounts to Arab financing of European governments' domestic budget deficits.
\$20 billion	Placed in short-term Eurodollar bank deposits and U.S. Treasury bills.
-\$2 billion	Placed in capital investments internationally through investments in the stock markets.

Hambros expects the trend to continue through 1978.

In short, Italian Prime Minister Andreotti's recent trip to Saudi Arabia and other efforts by German and French leaders to channel the funds into world development have not born fruit.

The West German banking community, however, seems to have regrouped this week after the murder of Jürgen Ponto, leader of European moves for a gold-backed transferable ruble monetary system in cooperation with Comecon and the Arabs. The authoritative *Mideast Memo* magazine reports that the government of Kuwait, angered at the way its present, predominantly British monetary advisors inflated with speculative loans and offshore bubble currency financing, has decided upon a thorough monetary reform. The leading edge will be bringing a new monetary team into the Kuwaiti government, "including advisors from a European country with a sound currency and strict foreign investment regulations," *Memo* states. Kuwaiti sources confirm this means West German banking guidance.

Furthermore, after a major management shake-up at the West German, state-owned oil company Veba-Gelsenberg this week, Veba officials are privately reporting that the new head of international operations, Herr Oschmann, the director of Veba's exploration subsidiary Deminex, has long intended to move Veba into the Rockefeller stronghold of Saudi Arabia. Oschmann is now in Algeria with West German Economics Minister Friderichs, negotiating West German participation in the planned sub-Mediterranean pipeline from Italy to Algiers to be built by ENI, the Italian state oil company, and other deals.

At the same time, the South African paper *Rand Daily Mail* renewed reports this week of a West German plan to open a new gold market in Luxemburg to attract Arab

funds. The *Frankfurter Allgemeine Zeitung* reported the Luxemburg idea some weeks ago. South African sources said at the time that since the Lazard Freres-run scandal against Crédit Suisse, after which a Lazard man ended up a director of Crédit Suisse, the U.S. and British Treasuries have taken the opportunity to demand their Swiss banks reveal the owners of their numerous numbered accounts, many of which are Arab. Some of these numbered accounts contain Comecon transferable ruble balances which Union Bank of Switzerland, in particular, is building up for Arab clients for use in international trade under arrangements worked out by Ponto before his death. The U.S. and British pressure was driving Arab funds from the Zürich gold market, so the West Germans resolved to set up a German-controlled gold market in Luxemburg. This week's *Rand Daily Mail* states that in fact, at the encouragement of the Dresdner Bank, Deutsche Bank and Commerzbank, the "Big Three" West German banks, the government of Luxemburg is writing up tax and other legislation to make the Luxemburg gold market a reality.

Simultaneously, reports from Johannesburg indicate that South Africa, now fighting the same sort of Anglo-American pressure, is preparing to participate in the new world arrangements. The *Financial Mail*, the "Business Week" of Africa, reports that South African Economics Minister Reusch last week called the nation's business leaders together and told them that, in the face of threats of an oil embargo from U.S. Secretary of State Vance and British Foreign Secretary Owen, South Africa is planning a thorough revamping of its international gold market strategy. He did not elaborate, but it is clear that the current 30 to 40 percent of South African gold production which is now being marketed via London may soon no longer find its way to N.M. Rothschilds and Sons, and could turn up at the Luxemburg office of the Dresdner Bank.

IMF Bailout Prepares Monetary Disaster

The following statement was issued on Sept. 20 by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman.

Only terrorism-accented fear and hysterical fear of Third World debt moratoria accounts for the crass stupidity of European and other governments in the recent turnabout decision in favor of grossly inflationary IMF bailout proposals. Even granted the miseducation in economics and monetary theory which predominates in the financial community, the proposed IMF bailout is so thoroughly incompetent that even the most vulgar monetarist doctrines could not pretend to justify it.

The fundamentals which bankers and others would consider, if the terrorism and hysteria had not confused their judgment, are as follows:

1. It is the ABC of lending that the debtor ought to be able to pay the debt with approximately the schedule of

debt service payments proposed. The measures of austerity which are collapsing world trade, production and capital-formation rates mean that the gross tangible product-income of the affected nations is being forcibly contracted while the mass of debt, already non-performing in aggregate, is being increased.

2. In short, the current IMF and alternative bailout proposals are nothing but an effort to refinance a bookkeeping bubble through measures which collapse production levels. This is a sure formula for pushing the world into a hyperinflationary explosion along lines of the Weimar model.

3. In short, the current IMF and alternative bailout proposals are the direct cause for a deepening world depression. It is not a question of whether or when the depression will come: the depression is already here. What is at issue is whether and when this depression will lead into an inflationary-austerity form of general monetary collapse, general monetary chaos.