Brookings Scenario For Bonn Summit

Henry Owen is leading efforts to make Carter the fall guy for a world depression

Ten days before the opening of the Bonn economic summit, the U.S. government appears without a workable international economic policy. Indeed, a large-scale campaign is underway to send President Carter to Bonn with a portfolio designed to sabotage the Grand Design for global economic cooperation and development being put together by West Germany, France, and Japan, with important backing from the Soviet Union.

FOREIGN POLICY

The engine of sabotage is most efficiently defined by reference to such cothinkers of the British and Austrian "Black Guelph" monarchies as the Washington D.C.-based think tank known as the Brookings Institution, whose former Director of Economic Affairs, Henry Owen, is formally coordinating Carter Administration policy planning for the summit from his post as Special Representative of the President for Economic Summits and International Affairs. According to a leading economist at Brookings, it is conscious policy in Brookings circles to prevent President Carter from reaching agreement with Europe and Japan on measures which could actually stabilize the dollar and expand world trade. Instead Owen and the Brookings circuit are peddling a "share-the-misery" approach in which European insistence on a responsible U.S. energy policy is portrayed as a "demand" for Energy Secretary James Schlesinger's totally discredited plans for a tax, tariff, or quota to limit U.S. oil imports. The Senate has repeatedly rejected this, seeing it, in the absence of an Administration commitment to increase energy production, as an "environmentalist" program for the deindustrialization of the U.S.

Under the Brookings game plan, however, Carter would commit himself to put the plan in effect over the head of Congress "in return" for commitments from the West Germans and Japanese to hyperinflate their economies through tax cuts and pick-and-shovel public works unemployment programs.

The utter impracticality of this scenario, given that Congress, West Germany, and Japan have consistently resisted this "trade-off" during the 18-month existence of the Carter Administration, is already being used by the press to attack Carter for his inability to bring it off, and to dismiss the summit as a "meaningless exercise."

Simultaneously, zero-growth proponents of the Brookings scenario are floating a welter of backup arguments acknowledging that the U.S. trade deficit and consequent weakness of the dollar are attributable to U.S. failure to export rather than U.S. oil imports per se — but blaming U.S. economic woes on European and Japanese "protectionism." The July 5 New York Times fielded this line in a front page article which purported to "discover" that imports of machinery, manufactures, and transport goods from Europe and Japan are a bigger component of the U.S. deficit than oil imports; therefore Carter must strongarm the European Economic Community and Japan to cut back their own manufactured exports and reflate in order to dismantle state subsidy structures for industry, and purchase more U.S. goods. A companion article detailed an unpublished OECD report by a British economist purporting to show that increased European economic growth in the immediate years ahead would only contribute to increased unemployment, as "automation" and capital-intensive investment would not relieve European unemployment. "Structural reforms" oriented toward labor-intensive investment policy were the proposed solution.

Third World Strategy

Meanwhile, the Brookings crowd has been heavily promoting in Congress and the federal bureaucracy the autarchical, zero-growth approach to economic development detailed in a November 1977 Brookings study entitled Interim Report on U.S. Development Assistance Strategies and prepared by Lester Gordon of the Harvard Institute for International Development. The Interim Report recommends the incorporation of the existing Agency for International Development (AID) in a special "umbrella" development agency, bypassing the State Department and reporting directly to the President; this agency would be responsible for implementing a policy overwhelmingly oriented toward Maoist labor-intensive rural development schemes in the LDC's, and existing programs oriented to capital-intensive development would be eliminated. This direct U.S. "development assistance" would be given on an "only the neediest need apply" basis, with semi-industrialized Third World nations relegated to the mercies of the World Bank and International Monetary Fund.

In a statement to Congress, Interim Report author Gordon rationalized this commitment to perpetuating "coolie economies" for LDC populations: "The endowment of labor as compared to capital is more abundant so it really does not make much sense for these countries to adopt capital-intensive activity when they have so much cheap labor. Since a lot of our technology essentially is so capital-intensive, so much of it is inappropriate for these countries...for example tractorization leads to higher priced products and unemployment."

In effect, Gordon recommends a policy of restricting advanced sector technology transfer to the LDC's in favor of "local personnel carrying out their own R and D" to develop "appropriate technologies." Had such methods governed the development of the U.S., Japan, Europe, and the Soviet Union, the bicycle and hoe would represent humanity's most "advanced technology."

Knowing that such a strategy is rightly regarded as a form of psychosis by the majority of Third World and advanced sector governments and industries, Brookings and its allies are consciously urging President Carter to aggressively assert a commitment to it at Bonn, not because it represents a "solution" to any economic problem, but because such a posture by Carter will sabotage the Grand Design, promote the collapse of the dollar, and bring on the world depression which the Washington Post, New York Times and other American "Fleet Street" outlets are now insisting is "inevitable" — all in the interest of perpetuating the Black Guelph oligarchy's political existence.

Where Blumenthal Gets His Line

This British strategy is the explicit policy of Treasury Secretary W. Michael Blumenthal, his underlings, Under Secretary Anthony Solomon, and Assistant Treasury Secretary C. Fred Bergsten. Blumenthal's recent statements include a speech at the National Press Club in Washington where he again emphasized the "necessity" for West Germany and Japan to reduce their balance of payments surpluses through reflation, coupled with a "warning" to more industrialized developing sector nations including Brazil, the Republic of Korea, and Mexico, that their government export programs must be gutted in the interests of "free trade." Undersecretary Solomon's credentials are identified by his role in instituting the "trigger-price mechanism" restricting U.S. steel imports, conceived as a step toward global cartelization through contraction of the steel industry in a world of permanently shrinking steel markets. Solomon is working directly with Owen on preparations for Bonn. Assistant Secretary Bergsten, author of *American Multinationals and American Interests*, soon to be published under the auspices of Brookings, has been a professed advocate of Schachtian commodities indexation bubbles since his previous tenure at Brookings, and has vigorously pushed heavier taxation of U.S.-based multinational corporations regardless of its impact on world trade.

Brookings "submarines" appear active in the State Department as well. Undersecretary of State for Economic Affairs Richard Cooper is working directly with Owen, feeding information on policy planning to other officials, including Deputy Assistant Secretary for Economic and Business Affairs, Robert Hormats who will probably accompany Owen to Bonn.

The Vance Faction

Despite Brookings' effective contamination of official U.S. policy, Secretary of State Cyrus Vance is known to be advising the President to "make a new start" and above all "listen to what the Europeans are proposing" at Bonn. Vance and Special Trade Negotiator Robert Strauss are respected both in Washington and around the world as men whose ears are well attuned to political reality, and both have repeatedly called for expansion of world trade in the context of Third World economic development. United Nations Ambassador Andrew Young has consistently stressed economic development as an instrument for securing world peace. The Commerce Department, in particular the Interagency Task Force on Exports headed up by Assistant Secretary Frank Weil, together with the U.S. Export-Import Bank, have also promoted expanded trade, at times clashing openly with Blumenthal's men.

The limitations of these forces are illustrated by Strauss's announcement July 5 that the General Trade and Tariff (GATT) negotiations in Geneva would fail unless the Europeans and Japanese agreed to further open their markets to U.S. agricultural exports and accept "language to protect us from export subsidies," defined in the Blumenthal lexicon as "protectionism." Although Strauss is known to understand that the "share-the-misery" approach will not work, he believes he must get "bottom line concessions" from the Europeans and Japanese in order to sell any U.S. trade expansion program for development to Congress, which is already threatening up to $2 billion in cuts from the Administration's World Bank and related foreign aid appropriations requests. If the Europeans and Japanese perceive Jimmy Carter will go along with their plans to organize a "new Bretton Woods" stabilization of the world economy at Bonn, the GATT negotiations could undoubtedly be resolved, as Strauss hopes, by early fall. If, however, it is the Blumenthal British-model battering ram which the U.S. wields at Bonn, the "Herbert Hooverizing" of Jimmy Carter will begin in earnest.

—Don Baier

LaRouche: Dollar Can Be Saved At Bonn Through Export Policy

U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. issued the following statement from New York July 5:

The United States Administration is totally blocking out the reality of the Bonn summit. The issue at Bonn is whether or not the dollar will be saved through creating the economic basis of USA high-technology export expansion.

The primary goal for the USA is uncorking America's ability to export to the so-called Lesser Developed Countries. Second, the Jackson-Vanik congressional restrictions on East-West trade must be removed. It is imperative for the U.S. to avoid getting in the way of the Europeans and Japanese, who are trying to set up a new international institution for global economic expansion to bypass the International Monetary Fund. At present, in its own confused way, the United States is actually working to bring the dollar down. If the Carter Administration doesn't rapidly come out of the aether, it will get the blame for world depression.

Contrary to the lies peddled by the Brookings

Institution and certain government spokesmen, there is no significant congressional opposition to U.S. participation in a Grand Design development package focused on developing sector markets—provided that the IMF and World Bank are explicitly disowned as agents for this effort. On the other hand, selling IMF-World Bank appropriations to the American people as "charity" while using those institutions to enforce political destabilization and the Keynes-Schacht-Friedman fascist economic model on the Third World is obviously unworkable policy in the eyes of many Congressmen.

President Carter need only carry the following package to Bonn to ensure that U.S. national interest is adequately represented:

1) Contribute to the overall effort of the Europeans and Japanese by offering to dump Treasury Secretary Blumenthal and his "laissez-faire" dollar devaluation policy.

2) Expedite U.S. export licenses for the export of nuclear fuel, especially to developing sector nations.

3) Commit the USA to take the lid off nuclear and other high-technology exports to developing sector nations in particular.

Safire Peddles Brookings Line on Bonn

On July 6 New York Times "house Republican" William Safire, a creature whose lines are supplied by the London merchant banking community, Henry Kissinger, and the Israel Lobby, penned a vicious diatribe against West German Chancellor Helmut Schmidt and President Jimmy Carter. The point of Safire's column was to portray Schmidt as a conniving swindler interested only in his own political welfare, and Carter as a credulous fool; both of them bound to the Brookings reflation and oil import curb scenario. Excerpts follow.

...Next week, amidst much chin-pulling and statistics-releasing, the assembled finance ministers will take three actions.

1. The Germans will extract from the Americans a pledge that the Carter Administration will really push for energy conservation, primarily by driving up the price of imported oil. The pledge, of course, will be meaningless, because Mr. Carter cannot induce the Congress to follow him into a false austerity — when the nation knows the way to solve its energy problem is not to depress demand but to encourage the increase of supply.

2. The Germans and Americans will extract from the British and French some concessions on tariffs, and will nudge the Japanese into using some of their trade surplus to help the less developed nations. With luck, free traders will gain a few points for GATT...

3.And then will come the great Concession: Chancellor Schmidt, on behalf of his industrious countrymen and with mush gnashing of teeth, will "run the risk of inflating his economy." He will promise to increase Germany's rate of growth, thereby helping the United States trade deficit and doing his bit to avert a world recession. This will be greeted by much international cheering at Bonn's "responsibility."

In what form will this great sacrifice come? . . .

Well you see, what the German people are going to have to suffer is a tax cut.

Putting Words in the President's Mouth

A leading economist at the Brookings Institution this week put forward what he hopes will be Carter Administration policy for the Bonn meeting.

Q: What will Carter do at the Bonn summit?

A: The President will say that our monetary policy has been restrictive, we have had high interest rates, that Strauss has been talking down inflation, that Congress has been disappointing but is now stirring on the energy question and now it is time for others to act.

Q: I understand that the Europeans are preparing a major program for the development of the Third World which they will present at the summit. What will the U.S. say to that?

A: They may have some guff about that but that really won't come out. Anyway, can the U.S. enter into these discussions? Can we get such economic aid through Congress? The President has no credibility, he can't discuss it.

Q. This development program doesn't really involve government funds. OPEC would be involved, the private sector would be involved.

A: If it's just a question of exports on the commercial level, then it's a hoax because the banks are already happy to lend them. OPEC doesn't have much surplus, it is being eaten by their imports. Next year they will have only $10 billion in surplus so they cannot lend for such things.

Q: Will the proposal of Prime Minister Fukuda for collaborative efforts to develop fusion and advance fission power be discussed? And what will the U.S. say to this proposal?

A: Carter is in no position to discuss technology, nuclear technology. He's not aware of the details of such things, *and he shouldn't be*. We make too much of summits anyway. The value of the summit is that it gets the President to concentrate on economics, so this is the context to get him to focus on economics and everyone will bring up everything, oil, inflation, and vie for his attention.