Progress versus Retrogression

The Japanese had specifically named three areas of cooperation in their proposal for fusion research: the Princeton TFTR tokamak, scheduled to come on line in 1981; the Doublet III tokamak device of General atomic in San Diego, which should soon be making breakthroughs similar to those of the Princeton machine; and fusion devices that are not tokamaks.

Sources in the Department of Energy and the State Department told the Fusion Energy Foundation that coal liquefaction was at the top of the U.S. list because at the moment the U.S. synthetic fuel program "is not moving." During the winter, in fact, Schlesinger's antinuclear hatchet man, Assistant Secretary John O'Leary, had stumped around the country for the coal conversion program. Coal conversion, it should be noted, is thermally inefficient as a major energy source, except in situations like those of Hitler's Third Reich, where it was a chief fuel source.

Ironically, the U.S. memo to the Japanese was submitted under the signature of Robert Thorne, the Assistant Secretary for Energy Technology who according to department sources sent a memo to Schlesinger July 31 saying that the Princeton results virtually assured the scientific feasibility of fusion. Thorne was not present at the Aug. 2 meeting with the Japanese, where the U.S. representative was Dr. Ben Huberman of the National Security Council.

West Germany: 'The European Monetary Fund Will Out-Dimension The IMF'

West Germany's finance minister, Hans Matthoefer, put forward the most aggressive public formulation of Europe's "Grand Design" to appear in print, in an interview this week with the magazine *Deutsche Zeitung*. The heads of state of West Germany and France, he said, continue to have "firm political determination to launch this new instrument of monetary policy by Jan. 1" — the seed crystal of a new monetary system, launched last month at the Bremen summit of the European Community. Matthoefer suggested to the *Deutsche Zeitung* that the European Monetary Fund created at Bremen is slated "to out-dimension the International Monetarry Fund."

More than that, Matthoefer slapped down efforts by opponents of the EMF to play up disagreements between the West German government and central bank, remarking that the problem was not between Chancellor Schmidt and Bundesbank President Emminger, but a fight within the Bundesbank itself. Matthoefer indicated that Europe will walk into the end-of-September Annual Meeting of the International Monetary Fund in Washington, ready for a fight (See ECONOMICS).

With the West German position on record — even though Matthoefer's groundbreaking statement went largely unperceived in the United States — the cat is out of the bag.

The political development accompanying this is the most lopsided in memory of transatlantic politics: the United States Administration has been toying around with modest gold sales, rumors of withdrawal of reserves at the IMF, jiggling of the discount rate, and other cosmetic measures to support the dollar. But Europe is trying to re-crown the dollar as the center of a development-based world monetary system.

Furthermore, the French and West Germans are using every lever of influence to pry the United States away from Tony Solomon's dollar-depreciation position. The statements issued by Saudi Prince Fahd Tuesday and the Shah of Iran Wednesday promising there would be no oil price increase during 1978, and emphasizing that the Organization of Petroleum Exporting Countries would stick to the dollar as the basis of oil pricing, came after Western European intervention.

Top industrialists in West Germany, beyond the point of frustration in their efforts to pull the U.S. along for its own good, are reaching for their telephones and screaming at their contacts on the other side of the Atlantic.

West German finance ministry officials say that they and their French counterparts have to play a Mutt-and-Jeff game with the United States on the gold question. While the West Germans and French agree that gold should be the link between the Arab Monetary Fund and European Monetary Fund, a link agreed to early this month between Helmut Schmidt and Saudi Prince Saud, they do not want to push this position up front. They are leaving that to the French, officials said, and playing the gold issue down among themselves — in order to provoke a minimum of hysteria from the United States.

Nonetheless, the combination of events over the last week that Matthoefer articulated most clearly adds up to a significant consolidation of European plans. Added to this was the Moscow visit of former Economics Minister and present Dresdener Bank Chairman Hans Friderichs, where he met top officials and signed a $500 million loan agreement. Friderichs's deal represents the coming on line of the economic portions of the Schmidt-Brezhnev treaty of last May, the first step in the Grand Design process.

In contrast, U.S. Fed Chairman Miller, formerly the inflation-fighting hero of American commercial bankers, has proposed to shut down America's world financial operations. In an Aug. 25 interview with Dow-Jones, Miller asked for world central bank efforts to control and perhaps impose reserve requirements on the Eurodollar market, to ward off a "19th century money panic"! Miller's view was stated last May by Gordon Richardson, now Governor of the Bank of England and formerly Chairman of Schroeder Bank, and reiterated this week by Schroeder economist William Griggs in a Money Manager interview.

Miller and his British friends are proposing to shut the U.S. out of the international market, at the same time that the West Germans and French are inviting the Americans in.

—David Goldman