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International Credit by Renée Sigerson

No agenda in Brussels

The European Community summit failed to work out a real program against high interest rates.

In a final communiqué, the leaders of the 10 European nation members of the Common Market who met in Brussels March 29 and 30 denounced high U.S. interest rates as "spreading recession around the world and undermining the hopes of reducing unemployment."

Beyond this important recognition, the meeting was notable for what it did not achieve.

West German Chancellor Helmut Schmidt reiterated several times during the meeting the theme of the central need to lower interest rates. He told a Swedish television network March 30, "There can be no investment nor lowering of unemployment unless U.S. interest rates are brought down." He stated that because a favorable balance of payments is expected this year, West Germany could expect to maneuver around the worst effects of the high U.S. rates.

But unfortunately, no substantive proposals for achieving a permanent lowering of interest rates worldwide were worked out. Instead, French Socialist President François Mitterrand attempted to wreck the meeting with a series of allegedly pan-European proposals, whose intent was to force a break between Europe and the United States. Schmidt would have none of this.

But to give Mitterrand the proper stage for his antics, British Prime Minister Margaret Thatcher insisted on acting as Mitterrand's foil, and thus much of the discussion was bogged down in a useless left-versus-right set of ideological confrontations.

For example, Mitterrand proposed that the EC adopt a program of grossly reflationary spending programs to create jobs. Schmidt—who is now pursuing a domestic jobs creation program which is, however, linked to productive industrial investment—blocked this Mitterrand resolution. Mitterrand also proposed a more tightly coordinated European Monetary System, which would set stricter rules for European central-bank monetary coordination.

Behind this particular Mitterrand proposal was an attempt to lock West Germany into unconditional support for the French franc, which is suffering from both the inflationary policies pursued by Mitterrand and from a Swiss-coordinated attempt to create havoc for France and Germany.

Thatcher in turn made use of various opportunities to be provocative. She refused to approve a 16 percent increase in the Common Agricultural Policy (CAP) farm price-support level, denouncing this arrangement as unfair to Britain and restrictive to free enterprise. Schmidt rejected the specific 16 percent increase proposed for farm-price supports, but refused to endorse the Thatcher attempt to destroy CAP altogether.

While Thatcher and Mitterrand tore at each other, Europe's leaders, with the sole exception of Schmidt and Belgium's Wilfried Martens (who went to Washington in February at Schmidt's behest to urge action against Volcker), have done little to combat the high interest rates.

Watching over the shoulders of those leaders is the Bank for International Settlements (BIS) which is highly aware of the potential for worsening economic crisis and preparing their own solutions to deal with it.

Fritz Leutwiler, the managing director of the BIS and the head of the Swiss central bank, told an audience in Mainz, West Germany on March 23 that "international debt payments are getting to be an increasing problem." He stated that "the third world nations will have to cut back their borrowing, or else they will be forced to by their international creditors." Leutwiler warned of a debt-crisis-triggered "international collapse."

Once such a collapse were to occur, Leutwiler said, "international institutions or an ad hoc body will have to step into the breach." What Leutwiler is taking about is a BIS dictatorship over world credit flows, enforced by the International Monetary Fund. Leutwiler was followed the next day by his number-two man at the Swiss central bank, Pierre Languetin, who smirked to an *EIR* correspondent that a "domino-effect collapse of the international banking system cannot be excluded."

It is this policy that is ready to be put into effect at the first opening, and it is the reality of this fact that the European heads of state March 29 and 30 failed to address during their fruitless squabbling.

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