
Conference Report

Georgetown and the 'economics of pain'

by Stanley Ezrol, Washington Correspondent

Part II of a report on Georgetown University's Center for Strategic and International Studies "Quadrangular Conference."

Last week, I reported on the keynote address given by Dr. Henry Kissinger to this Sept. 20-21 conference, "Threats to the Industrial Democracies in the 1980s." This gathering of high-level political and business leaders from three continents, personally endorsed by President Ronald Reagan, was organized around the mystic belief, expressed in the Maoist incantation, "There is turmoil in the heavens, but the situation is excellent," with which Kissinger opened the conference. That is, in Kissinger's words, the current chaotic international situation presents "a unique chance to establish order under the heavens." This week, I will report several episodes of the conference participants' groping towards this new order.

The word "pain" was universally agreed on to describe the intended effect of the new order's economic policies for both the advanced and the underdeveloped sectors. Willard Butcher, the Chairman of Chase Manhattan Bank, was considered a moderate, and in some cases a "bleeding heart" spendthrift by other conference participants because he favors maintaining a modest flow of new credit to the underdeveloped world and negotiations to reschedule outstanding unpayable credits. But Butcher told the conference that "the world has been spending wealth it has not yet created . . . social programs have grown out of proportion . . . growth ambitions of these [developing] countries were excessive." He demanded "now, we must make the necessary adjustments—of course, it will be painful."

Butcher's friend, Otmar Emminger, former head of the West German central bank demonstrated that he is the sort of vampire who is happy when everyone else is bleeding to death. "There are a few bright spots on the economic horizon," said Emminger. "Wages are coming down . . . and a strong attempt is being made to break the link between wages and past inflation." Takashi Hosomi, President of the Overseas Economic Cooperative Fund of Japan, complained about certain "rigidities" in national budgets caused by indexed social service expenditures including Social Security, and suggested that "international cooperation may be necessary to overcome resistance" to cutting these costs.

Lest anyone think that these austerity policies represent "anti-inflation," or anti-high interest rate policies, he should consider the remarks of United States Federal Reserve Governor, H. Henry Wallich. Wallich described his boss Fed Chairman Paul Volcker's policy as "shifting to fighting inflation from fighting unemployment," and boasted, "The cost of this policy has been considerable."

Wallich then demonstrated the same disdain for Europeans which these remarks imply for Americans by saying that his high-interest-rate policy need not have forced up European or Third World interest-rate levels. "This would have been true in a fixed exchange rate system," he explained, "but under a floating rate system, there is no way interest rates would have to rise. . . . Of course, it may be the exchange rate would go down. . . ."

Out of trade war, a new multinational order

The widespread agreement at the conference on the need to inflict painful levels of austerity in all regions begs the question of how to enforce this. The ultimate goal of the conference organizers is to establish multinational institutions which dictate trade, investment, credit, social welfare, and other policies previously determined by sovereign national governments. A spokesman for the Paul-Henri Spaak Foundation, a collection of European nobility and their sycophants, dedicated to "European Integration," which means the elimination of national governments in Europe and their replacement with a regional government modeled on the Hapsburg Holy Roman Empire, stated the problem by saying that Europe was "based on the notion of the nation state . . . that is now gone. . . . The European Community, the Atlantic Alliance, . . . they are the protectors who protect us from the dangers of the past."

How will the United States become integrated into the foreseen new supranational system? Henry Kissinger's technique of bringing new order out of chaos is known as "conflict resolution." The atmosphere of the conference was hot and heavy with threats and rumors of both East-West and intra-West trade war, sanctions, recriminations, and so on. In the particular case of the hotly debated United States attacks on Europe for Soviet trade involving the Yamal natural gas pipeline, Dr. Kissinger said, "The question is whether we can use the pipeline crisis to develop a fundamental agreement among the industrial democracies."

Despite the conflicts, there was a not-surprising, agreement from both sides of the debate on the kind of solution required. Willard Butcher called for "strengthening" the International Monetary Fund, so that it would be able to "belly up to the bar." Edward Lumley, the Canadian co-sponsor of the conference and Minister of State for Trade, announced, "We cannot become too rigid, we must allow emergency actions. . . . We must take the lead in creating a new order of things. . . . We must create order under the heavens." Robert Strauss said, "We better take our game apart . . . and modernize it . . . to deal with the problems of the day."