

ing productive capital. This ratio determines the rate at which new technologies are weighting overall productivity, and determines the demand for the development of still newer advances in technology. Similarly, the greater the net rate of new productive capital formation, the higher the ratio of improved technology in maintenance and modernization of old capacities. If high rates of productive capital formation, with high rates of output utilization, occur in a climate of fostered, high rates of technological progress, a 10 percent annual growth rate in technologically linked productivities is very conservative as a goal. If this is combined with appropriate shifts in the composition of the labor force, increasing the ratio of operatives and of scientists, engineers, and technicians, the impact of technology on industry and agriculture is maximized accordingly for the labor force as a whole.

That is the "American System," which our forefathers fought the American Revolution, adopted our Constitution, and established our republic to achieve. It works. Use it, and we can quickly get out of the present mess.

Senator Javits can stop worrying, on condition that he gives up his attachment to the bankrupt British System, and takes out American citizenship in the fullest sense of that term.

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## Javits Tells Senate: Save The Banks Before It's Too Late

*Speaking before hearings of the Senate Foreign Relations Committee's Economic Affairs Subcommittee June 17, Senator Jacob Javits warned that the looming confrontation between the United States and the Third World and the imminence of a second Great Depression demand U.S. government action to shore up the international monetary system. Javits's remarks, excerpted here, were made in the context of discussion of the just-concluded final session of the Conference on International Economic Cooperation in Paris, the "North-South talks," which Javits attended as a member of the U.S. delegation.*

The United States is facing a very dangerous and difficult confrontation with the less developed countries (LDCs). We must both increase our resources in international lending institutions, while calling up a resolute feeling that the LDCs can help themselves internally much more, so as to bring on a feeling of confidence in the international monetary system.

The CIEC communiqué (from the last North-South session — ed.) reflects one major thing: the profound difference of views between the Group of Eight (major industrial countries) and the LDCs and the Group of 19 (leading Non-Aligned countries) as a whole.

There is a revolutionary surge around the world and with it the danger of a very real depression in two or three years, brought on by the rise in oil prices. As a result of this, the LDCs have been borrowing from our banks.

The American people have to be realistic about what is at stake. We must prepare to consider alternatives and

to make big changes to cope with this revolutionary surge. The CIEC dialogue is over. Now we face the danger of the world not hearing the clear call to danger which stalks the economic and monetary system of the world.

*In answer to a reporter's question after the hearings:*

We must have debt rescheduling. The less developed countries simply cannot pay.

### "Some Disturbing Conclusions"

*Prior to the hearings, Javits delivered a speech on the Senate floor, which is excerpted here:*

The events in Paris have been a culmination of experiences for me which since 1974 have led me to some disturbing conclusions I wish to share with my colleagues today, for I want to sound a note of alarm with regard to the international monetary system and the strains on that system which threaten the U.S. and the world with a deeper recession than 1974 or a full-scale depression in 1979-1980.

To be sure, it is self-interest which prompted the call for the new international economic order. However, I have concluded that it is our self-interest to take this call seriously, and also to look pragmatically at the state of the international monetary system, which has been in a state of disrepair since the breakdown of the Bretton Woods arrangement in 1971, and especially since the drastic OPEC price increases. I submit that if we do not do this, the recession or depression we are likely to experience will be brought about by many of the issues which are important to members of the developing world.

Let me emphasize at the outset that (at the CIEC) we were not dealing with irrational demands by a group of insignificant countries. The developing countries contain three-fourths of the world's population and represent the source of many of our raw materials and foodstuffs. Private bank loans to these countries total over \$70 billion (\$42 billion from U.S. banks), and direct private investment of in excess of \$30 billion. They owe \$80 billion to governments, of which \$29 billion is owed to the U.S.

I believe that the American people need to realize the depth of dissatisfaction in the developing world, which is very great and in some cases very revolutionary. This deeply entrenched dissatisfaction has some basis in reality, and we need to identify the real economic issues which in the final analysis threaten both the developed and the developing world.

Therefore I can only conclude that we must maintain and increase bilateral and multilateral aid programs, international institutional lending, direct private investments, and bond financing if we are to accommodate the very real needs of even the category of better off countries. And that multilaterally we must especially equip the international financial organizations to play a much greater role, expand trade, accelerate technology transfer, and give greater encouragement to private sector investment.

In other words, we much come to grips politically with the fact that the system now requires virtually permanent and substantially higher levels of capital flows to the developing world. The consequences of failing to recognize these developments could be the major policy mistake of this generation.

*Conclusions and Recommendations*

A new effort is needed to adopt policies somewhat more congenial to the LDCs in respect to debt restructuring and the stabilization of commodity prices. But the reciprocity should be assurance of essential growth of supplies of resources at economically reasonable prices, and non-discriminatory treatment of foreign investments.

Concentration upon agricultural development is needed, including important aspects of technology and agribusiness. The economic development of agriculture through technology represents a critical effort for developing countries to feed themselves. This, in conjunction with the social effort of family planning and population control, can work a revolution in their economies.

Major diplomatic efforts are needed to require effective redeployment of excess resources drained by the OPEC cartel. In the meantime there is an urgent need for the most drastic conservation policy on oil on the part of the U.S. to materially reduce the imbalance in international payments. The danger is so great that even gas rationing cannot be ruled out as a last resort.

A solution of the current dilemma may require the active assistance of the Soviet Union and other Eastern European countries, and we should not rule out their active participation in the World Bank, International Monetary Fund, and other international financial institutions. Whether the elite of these "socialist" countries like it or not, their financial systems have become increasingly tied to the capitalist world.

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