Summitry 1975-77: The Learning Process

In the aftermath of the Bretton Woods dollar-gold system's demise, the 1970s have been dominated by a war between two conceptions of a new world economic order, two methods of centralized top-down control of world capital flows.

The first is the Willy Brandt-Felix Rohatyn-Royal Institute of International Affairs goal of disinvestment in industry and energy in favor of subsistence farming and fixed raw-materials extraction through primitive labor-intensive methods, such that the world population shrinks faster and faster until war consummates the genocide.

The second is the International Development Bank conception: achieving exponential technological progress through an international central bank. The bank's reserves, pooled by the U.S., Japan, Comecon, Western Europe, and OPEC, serve as the basis for generating multibillion-dollar long-term, low-interest, gold-backed credits for crash-development investment in advanced agricultural, industrial, and energy projects. Probable starting places are South America's Rio de la Plata region, the Ganges-Brahmaputra area, the potential breadbasket of the African Sahel, and the Mideast's Fertile Crescent.

As nuclear-energy-based cities multiply around the world, the currency dimensions of the Bank's service becomes plain: national currencies — foremost the dollar — are valued, that is to say upvalued, as instruments of trade and investment rather than dissolving as claims on past unpayable debt and future self-contractive looting.

The three summit conferences of capitalist heads of state that preceded this month's Bonn meeting are worth recalling as moments in the war for a new world economic order. In themselves, they represent marking-stones, not milestones, but they show both the failures and potentialities of U.S. world leadership, alongside the evolution of America's allies' attempts to draw America back into a strong, sound role.

London's Idea

The 1974-75 notion of a Western heads-of-state summit was originally Britain's; the formal summit agendas have been set by British-trained Henry Kissinger and his protégé Zbigniew Brzezinski in an atmosphere shaped by the International Monetary Fund and Organization for Economic Cooperation and Development (OECD). So long as the U.S. President was weak, a summit meeting could feed psychological-economic crises through a manipulated leaderless group, and make American presidents even weaker.

The evolution of summit agendas toward the "Grand Design," affirmed by the European Community at Bremen and pursued at Bonn, has had one powerful catalyst: U.S. Labor Party chairman Lyndon LaRouche's 1975-77 International Development Bank proposals, and the reorientation around those proposals undertaken by the leadership of West Germany, France, Italy, Japan, and Mexico.

The International Development Bank conception was preceded by LaRouche's 1958-71 outlines of a gold-backed monetary system forcefully redirected toward industrial growth, and the April 1974 design for a "golden snake" of European currencies linked to the Comecon's transferable ruble — themselves strategic applications of LaRouche's intensive 20-year theoretical advancement of political economy. These proposals were followed by an organizing effort
International Caucus of Labor Committees, an effort historically quite unprecedented in its intellectual height and breadth.

THE RAMBOUILLET SETTING

In 1975 the Kissinger forces appeared to be winning by default the war over the new world economic order, although Henry Kissinger himself failed to put through his "safety-net" stranglehold fund for the OECD advanced countries any more than Britain's Denis Healey could secure a $30-plus billion petrodollar transfusion for the International Monetary Fund.

The year began with the Rockefeller-Paddock plan for triage against the Third World and 30 million Mexicans in particular; Bangladesh and northeastern India were suffering the worst cholera epidemic in decades. The Ford Administration was unable to live up to its responsibilities. While White House chief of staff Donald Rumsfeld explored a return to fixed currency parities with the West Germans, Treasury Secretary William Simon opposed the correlative moves toward remonetization of gold; and by midyear New York City's Big MAC was the prototypical financial innovation on the scene.

The advanced sector had "recovered" from the 1973-74 oil-price havoc — that is, it was running a trade surplus due to the contraction of world trade, and tiding over domestic production with inflationary consumer credit. The result was that the U.S. inflation rate was approaching 20 percent as Rambouillet began.

European capital investment disappeared. The United Nations Special Session of the General Assembly in September 1975 witnessed calls from Algeria, Indonesia, Bulgaria, Sri Lanka, and Guyana for a new world economic order based on debt relief and financial institutions to promote real growth. Guyanese Foreign Minister Frederick Wills, in the wake of the conference's lack of practical results, went further, avowing that in the future the First World's desperate need of the Third World for the advanced sector's *own* development must be hammered home. And at the IMF-World Bank meeting soon after, which under French and Mexican guidance refused to promote antidollar Special Drawing Rights and secured an easing in central bank restrictions on gold transfers, Mexico pressed Western Europe to accept the transferable gold-backed ruble as a means to enlarge world trade.

The Miki Proposal

In the U.S., although the Halloween Massacre had tidied Washington of James Schlesinger, Ford's people were virtually excluded by Secretary of State Kissinger from the Rambouillet summit preparations, and both State and Treasury refused to acknowledge pressures from multinationals like International Harvester to move with debt moratoria and expanded Export-Import Bank funding.

Japanese Prime Minister Takeo Miki said in Paris that he hoped the summit would be remembered as the meeting that founded the new world economic order with a new international export credit bank and an end to exploitative, speculative raw materials flows through a nest of world "Lomée Agreement" trade treaties. But President Ford was unprepared to deal with Miki's proposal. Domestic Japanese attacks against Miki, plus restraint on the part of sympathetic West Germans including Helmut Schmidt himself, and Kissinger's manipulation of the French on the commodity issue, relegated Miki's proposal to do away with the IMF to the fringe of the summit.

Backup for Miki from Italy in turn faded. Premier Aldo Moro called for East-West trade expansion but was ruled off the agenda by Giscard. Moro was relegated to a post-conference press statement, amid accusations from the Italian press that Moro himself was too sympathetic to Ford's pressures on Western Europe and Japan to reflate. The conference vaguely committed itself to a "stimulus" posture in the final communiqué ("We will not allow the recovery to falter....The most urgent task is to assure the recovery of our economies and to reduce the waste of human resources").

On the currency question, the U.S. responded to French and Japanese complaints about dollar weakness by pledging to work for greater stability. This amounted to a sop in exchange for a renewed adherence by America's allies to the linchpin role of the IMF. A grotesque agreement was reached that if 85 percent of the IMF membership agreed to return to fixed currency rates, the U.S. — which under the weighted voting system had 23 percent of the vote — would go along, and violators could be disciplined by another 85 percent vote. However, permission for central banks to buy as well as sell gold (Treasury Secretary Simon had already begun U.S. gold sales) was reaffirmed.

The summit's energy resolution was a soppy compromise between elevation of Kissinger's International Energy Association and the demands of rationality: "Our common interests require that we cooperate in order to reduce our dependence on imported energy through conservation and the development of active energy sources...(plus) international cooperation between producer and consumer." Ford's proposal that Europe invest in U.S. Project Independence tar sands-style boondoggles had been cooly received.

Giving Summits a Bad Name

Rambouillet gave summit meetings a bad name. French Finance Minister Fourcade's claims that he had secured the first step toward a return to fixed rates via currency blocs pegged to a strong dollar were abruptly scorned by Simon, who announced Nov. 19 that — at most — the U.S. would seek "orderly markets" under the floating principle. The Gaullist *Lettre de la Nation* asked caustically: If Giscard is correct in saying that the roots of the world depression are monetary, then Rambouillet achieved nothing. If not, what next?

Within a month the policy vacuum was filled by economic destabilizations and political offensives. NATO's Hilex maneuvers in December signaled a return to RAND-style war provocations; simultaneously, secret IMF meetings blueprinted austerity and arms-production buildups in Western Europe under the "Tindemans Plan." The extraordinary storms that ravaged Europe and the USSR in January were followed by trade-wrecking storms on the foreign exchange markets.

Weak Loans Exposed

In the first two weeks of January alone, Europe threw a billion dollars into support operations on behalf of the dollar. Then in late January, a run on the weak European currencies was launched to force Italy, in particular, into devaluation, austerity, and political disintegration. Europe defended itself by selling dollars, kicking off not only a run on the U.S. currency but an inflationary bidup of commodity futures. At the same time, the Lazard-Meyers' *Washington Post* launched an "exposé" of Citibank's and Chase Manhattan's weak loans.

Italy was next threatened by an oil embargo. Most gravely, although the Tindemans official austerity programs got shelved, Europe's industrial credit collapsed as funds moved into short-term Eurodollar positions. Schmidt and Giscard's mutual support agreement failed to prevent the forced devaluation of the franc in mid-March. The two enjoyed only the bitter victory of obstructing the 1976 gameplan for a "dollar-deutschemark axis" that would let the weaker currencies go to the devil while German reserves, swollen by flight capital, financed a sort of European Big MAC regimentation of the continent.

Rambouillet's refusal to make the Miki approach its agenda had allowed an impossible situation to develop for the Third World. At the December 1975 North-South Conference in Paris, Kissinger's proposed International Resources Bank, which would mortgage the natural resources of developing countries on behalf of global inflation and regional genocide, was strenuously rejected, but no positive policy for the debt burden was offered.

The Summits In Brief

Heads of State	Issues and Consequences
RAMBOUILLET November 1975 *Gerald Ford — United States* *Valéry Giscard d'Estaing — France* *Helmut Schmidt — Federal Republic of Germany* *Takeo Miki — Japan* *James Callaghan — United Kingdom* *Aldo Moro — Italy*	Japan's International Development Bank-style proposal to replace the International Monetary Fund with a world central bank geared to promoting trade trade is sidelined by U.S. incompetence and European timidity. French efforts to secure stable international currency relations, and Italian calls for expanded East-West trade, are defeated by their own narrowness and U.S. State Department-Treasury opposition. In the battle over energy there is a standoff, thus an interim defeat for the policy of expansive energy-dense investment. Underdeveloped countries are unable to mount a positive policy on their own.
SAN JUAN June 1976 *Gerald Ford — United States* *Valéry Giscard D'Estaing — France* *Helmut Schmidt — Federal Republic of Germany* *Takeo Miki — Japan* *James Callaghan — United Kingdom* *Aldo Moro — Italy* *Pierre Trudeau — Canada (excluded in 1975 at French insistence)*	Mideast war threats and U.S. offensives against the USSR are accompanied by Secretary of State Kissinger's effort to formally enslave the Third World by way of an International Resources Bank, and to impose austerity on Western Europe through a "dollar-deutschemark axis." As LaRouche and the IDB proposal circulate in Europe, Kissinger's "maximum program" is rejected. But the world debt question is bypassed at the summit, except for blackmail against Italy. The potential for the transferable ruble dimension of the IDB is stalled; the U.S. "GOP economics" passivity aggravates the crisis of confidence in the dollar, and the post-oil crisis collapse of capital investment intensifies worldwide.
LONDON May 1977 *James Earl Carter — United States* *Valéry Giscard d'Estaing — France* *Helmut Schmidt — Federal Republic of Germany* *Takeo Fukuda — Japan* *James Callaghan — United Kingdom* *Giulio Andreotti — Italy* *Pierre Trudeau — Canada*	LaRouche's 1976 presidential campaign and the spring 1977 publication of the private IDB proposal are fueling a counterforce to the Carter Administration's antienergy program and cold-war tendencies. Treasury Secretary Blumenthal's explicit active sabotage of dollar parities alarms Western Europe and Japan. With a Saudi Arabian faction, they hasten their own trade and development efforts, but offer no counterproposal to the expanded International Monetary Fund police-role policy they defeat at the summit. Monetary and paramilitary terrorism multiplies during the following year, impelling rather than halting behind-the-scenes international deliberations on an IDB initiative.

In mid-February, Guyana's Frederick Wills took the occasion of the Manila United Nations UNCTAD meeting to publicly call for the International Development Bank or its equivalent, a new international central bank for energy and industrial development. This moral courage won him assassination attempts from Kissinger, but no open support from his Third World colleagues.

Kissinger was allowed to escalate his world blackmail as the Mideast crisis swelled around Lebanon and provocations mounted against the USSR. The next UNCTAD meeting at the end of May once more rejected the resources plan, but — with the Comecon nations notably passive under Kissinger's threats — also once more bypassed Wills's call for the creation of planning groups to pursue the International Development Bank. In Europe, leadership was still tied to a choice of "reflation" or "deflation," and in May, Chancellor Schmidt, appalled and politically threatened by the austerity drive coming from the U.S., called instead for Keynesian measures which he candidly identified as those of Hjalmar Schacht.

THE ROAD TO SAN JUAN

What must be called a learning process nevertheless intensified as LaRouche conferred with continental governmental and private-sector leaders in Italy in early 1976, and the U.S. Labor Party's brother Mexican Labor Party emerged as a political eminence for the less-developed countries' would-be policy-makers.

The second summit conference, held at the end of June 1976 in San Juan, Puerto Rico, was viewed at the time as out of step with the demands of the world conjuncture. West Germans and Swiss commentators derided U.S. summit demands for a joint front vis-à-vis the Third World as an attempt by Henry Kissinger to recoup his Nairobi losses. The meeting bogged down in disputes about how much austerity Italy should endure in exchange for debt refinancing, with Giscard d'Estaing impotently arriving late and leaving early.

Gerald Ford's emphasis on "go-slow" economics was reflected in the final communiqué, which informed a shellshocked world financial community that "Our determination in recent months to avoid excessive stimulation of our economies...has contributed to the soundness and breadth of recovery." The worst features of both paper-pumping labor projects and industrial contraction seemed to forebode. The ensuing "crisis of confidence" was far worse than anything provoked by the City of London's assault on the dollar at the summit.

"Vatican and Old-Line Stalinists"

Thus, the two fundamental, opposed versions of a new world monetary system began to move into the open. On the one hand, Otto von Hapsburg and his Anglo-Dutch banking associates launched a new drive in the aftermath of San Juan for "European unity" against the U.S. — involving in various drafts the creation of a "Eurothaler" designed by Robert Triffin. The other version, attacked by the *New Statesman* of London as a conspiracy between "Vatican Christian Democrats" and "old-line Stalinists" acting, the *Statesman* said, with sanction from Helmut Schmidt, involved an array of new trade and development initiatives among the USSR, France, Japan, and Italy in particular. It also opened an opportunity for the Arabs to put their reserves to use in genuine development projects.

Then, in August 1976, came the Colombo resolution. Meeting in Colombo, Sri Lanka, the Group of 77 underdeveloped nations made an unprecedented affirmation of an International Development Bank perspective. Acting at the prompting of Mexico, Guyana, Pakistan, and others, the Group fleshed out "new world economic order" demands in terms of debt moratorium, creation of an institution to fund Third World trade, and technology financing through a new monetary system.

The oil producers were already quietly providing large credits to the USSR for East-West trade and large banking deposits in France, Italy and elsewhere to keep Western Europe's credit system alive. This cushion operation, on the eve of the U.S. presidential elections, showed every possibility of reaching a transformed institutional threshold. The war threats exposed by LaRouche in his Nov. 1, 1976 election-eve national television address were designed to put an end to such potentialities for good, as Kissinger's 1973 Mideast War had failed to do.

IMF FIGHTS FOR SURVIVAL

The fraudulent election of Jimmy Carter, intended by the inner core of the Trilateral Commission to dispatch those war threats, both hastened and retarded the battle for the new world monetary system. In December the USSR had made public a Comecon resolution to offer transferable rubles, not only for bilateral but multilateral dealings — a proposal London vainly tried to recast in order to draw the Soviets into IMF operations. The USSR drew back from actively promoting the offer in January-March, as Brzezinski wrecked the SALT talks and Comecon factionalization intensified.

Meanwhile, a couple of weeks after the election, the U.K. had signaled a new level of attack against the United States by officially decoupling the pound sterling from the dollar, with the intent of appreciating the former and accelerating the decline of the latter under the new Treasury Secretary's guidance. It cannot be overemphasized that W. Michael Blumenthal's dollar-be-damned correlative of Brzezinski's brinksmanship — fervently backed by IMF managing director Johannes Witteveen — forced Western Europe and Japan to speed up their own timetable of consultations with and about LaRouche, who arrived in Europe in early 1977 for what became a sixteen-month interval of discussions with international policymakers.

Anti-Growth in Washington

As the May 1977 London summit approached, the world as a whole, but particularly the nascent Grand Design groupings in Japan, Saudi Arabia, and West Germany, were appalled by the new Administration's anti-growth, anti-nuclear energy program, which they knew would entail the wreckage of the U.S. economy and accelerate mass death in the Third World.

The Third World's debt was the center of attention at the time of the late-April IMF Interim Committee meeting and the May 8 summit. Key debtors including Egypt, Turkey, Zaire, and Indonesia were already in partial default, followed closely by a long list of other near-defaulters headed by Peru.

Witteveen frantically claimed success for his plan to draw the Saudi Arabians into spearheading the creation of a multibillion-dollar emergency debt rollover fund. Such a fund could not possibly bring solvency to the vastly larger debt gap; it was to be a level for enforcing Third World state-sector and import cuts, and thus advanced-sector export cuts. The cuts would wreck the dollar's trade-and-payments underpinnings, thus wiping out a good portion of European and Japanese government assets, and allow Keynesian Special Drawing Rights to become the reserve medium for the world, or what would be left of it.

The majority of U.S. commercial banks — whose own debt rollovers were and are basically deducted from capital investment possibilities — appeared to imagine that the fund could provide a breathing space for, rather than political suffocation of, the tentative International Development Bank negotiations. The Saudis were wiser. Even after a terrorist fire in their Ghawar oil fields, they refused more than a token commitment to the Witteveen fund.

At the summit itself, Japan and Western Europe rebuffed the U.S. demand for all-out energy austerity, that is, deindustrialization. They confined themselves to a faint pledge in the final communiqué to "further conserve energy." Much fuss was made at the time over the acquiescence of West Germany and Japan to "growth targets," but this amounted only to a *pro forma* concession to Blumenthal's reflation outcries.

The Private Approach

American allies could reject the most murderous IMF and National Security Council game plans, but there was no effective commitment by leaders outside the U.S., and potential leaders in America, to the required credit policies. LaRouche on May 11 issued the "Private Banking Approach to a New Monetary System," elaborating how a private bank, handling a small percentage of advanced-sector tangible-commodity trade financing, and issuing gold-backed medium- and long-term credit only for capital improvements and expansion in industry, mining, and agriculture, could serve as "the seed-crystal for a new world central bank."

Most importantly, in view of Schmidt and Giscard's subsequent decision to move directly toward the intra-governmental International Development Bank, LaRouche developed in this proposal the Hamiltonian principle of public institutional responsibility for generating technological progress, set against "the failure of North-South negotiations to date" because "none of the aspirations of the developing countries could have been satisfied in fact, even had the OECD nations agreed to those proposals," given the perpetuation of the IMF and World Bank as bodies precisely "opposed to the most vital interests of all developing nations."

Winning Wars

Having described how a new international central bank would "provide a suitable, equitable interface between the OECD capital-exporting and socialist and developing nations," LaRouche concluded: "Pre-war strategic plans do not win wars — adequate forces under qualified strategists actually win the wars....No plan can fully replace the responsibilities of command itself....The bank as projected can succeed, because the existing correlation of forces defines a 'war-winning capability' for a qualified initiating force suitably led."

This conception was assimilated more quickly and deeply than was apparent during the year following the London summit, with an indispensable prod from the growth-bent factions of the Vatican and the Italian Christian Democracy. Soon after the London summit, it was the Christian Democratic newspaper *Dell'Amore* which proposed a gold-based European central bank to coordinate an investment drive following debt reorganizations. Italian Prime Minister Andreotti himself called for a European "economic and monetary union" under West German leadership that would pursue the technological advancement of the Third World.

At the same time, in the late spring of 1977, the British and Belgians were busily insinuating a version of debt moratorium aimed, not at world growth, but at torpedoing the New York commercial banks; and President Carter was induced to launch a new anti-Soviet crusade to extend NATO to South America, Africa, and China.

Blumenthal's London Flop

Blumenthal and the City of London had expected to parlay Carter's 1977 summit flop into a new onslaught against the dollar system. Indeed, along with the Rohatyn-Kennedy apparatus, they have attempted to do so down to the present. But they have failed.

It would be misleading to say the Europeans, the Japanese, and their Comecon, Mideast, and Third World allies moved ahead because they learned from experience. No one automatically learns from experience unless external pressure is applied — as the case of the British economy shows negatively, and may yet show positively — or unless, as with Schmidt and Giscard, experience is informed by humanist leadership of LaRouche's quality. The Europeans and Japanese did muster courage; for one thing, the murder one year ago of Dresdner Bank chairman Jürgen Ponto, a linchpin organizer of the gold-backed development credit arrangements, did not deter them. Now the courage needed to educate the global population to ensure an International Development Bank world is a higher, more joyful kind.

—Susan Johnson

The Bonn Communiqué

Weeks of organizing prior to the Bonn summit resolved most of the issues to be discussed there. Most important was the far-reaching agreement for a new monetary system reached at the pre-summit meeting in Bremen, attended by West Germany, France, Italy and Great Britain. As a result the Bonn meeting had essentially one, very simple purpose: to reeducate the President of the United States on the most important current policy questions.

Here is the text of the communiqué.

The Heads of State and Government of Canada, the Federal Republic of Germany, France, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America met in Bonn on the 16th and 17th of July 1978. The European Community was represented by the President of the European Commission for discussion of matters within the Community's competence.

1. We agreed on a comprehensive strategy covering growth, employment and inflation, international monetary policy, energy, trade and other issues of particular interest to developing countries. We must create more jobs and fight inflation, strengthen international trading, reduce payments imbalances, and achieve greater stability in exchange markets. We are dealing with long-term problems, which will only yield to sustained efforts. This strategy is a coherent whole, whose parts are interdependent. To this strategy, each of our countries can contribute; from it, each can benefit.

Growth, Employment and Inflation

2. We are concerned, above all, about world-wide unemployment because it has been at too high a level for many years, because it hits hardest at the most vulnerable sections of the population, because its economic cost is high and its human cost higher still. We will act, through measures to assure growth and develop needed skills, to increase employment.

In doing this, we will build on the progress that has already been made in the fight against inflation and will seek new successes in that fight. But we need an improvement in growth where that can be achieved without rekindling inflation in order to reduce extremes