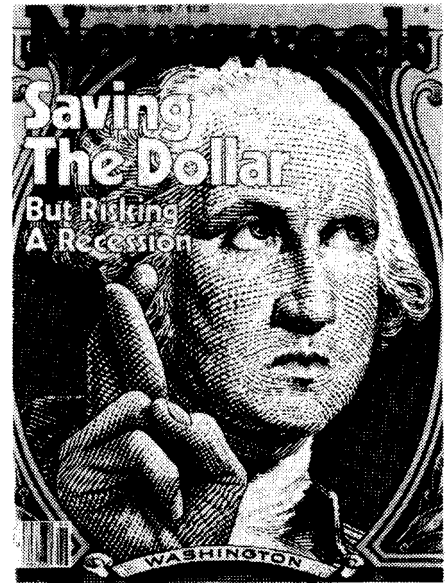




## Cracking the great recession obsession



This week *Newsweek* magazine, like the *Executive Intelligence Review*, hit the newsstands with a cover-story spread on President Carter's Nov. 1 dollar support package. Like the *EIR*'s, *Newsweek*'s cover was dollar-green, and headlined "Saving The Dollar." There was just one little difference: *EIR* presented a program for American recovery and economic growth, while *Newsweek* called for a depression. *Saving The Dollar — Without a Recession*, said *EIR*. *Saving The Dollar — But Risking a Recession*, said *Newsweek*.

At issue is the mental disorder deliberately engendered in the credulous reader by *Newsweek*'s slick package of economic lunacy, namely that a "recession" is a not only inevitable, but desirable and necessary policy option "to save the dollar," the timing of which is the proper subject for intelligent debate: "Should we have our recession now, or later?"

*Newsweek* trotted out a chorus line of Wall Street heavyweights and think-tank sages to retail this folly, a veritable bazaar of "authoritative opinion." Do you prefer the "agnostic" view of Nobel Laureate Samuelson, that the British "social contract" model of wage and price controls is the way to halt inflation, and that the dollar should not be defended in any case? Or does the "hang tough" approach of Peter Peterson, Lehman Brothers Kuhn Loeb chairman — "If signs of recession appear in those sectors most directly affected by high interest rates . . . will the President hang in there for the longer run?" — grab your fancy? Or, maybe the Lane Kirkland trade-war line — "He should have regulated imports to curtail high trade deficits" — sounds better.

Or, for the diehard esoterics, the opinion of the so-called Banque de Genève's chief executive officer is thrown in: "The U.S. is living way beyond its means and doesn't know how to bring its life-style under

control . . . President Carter is not trying to avoid or postpone a recession any longer, but to precipitate one because he now knows it's unavoidable in order to avoid something far worse later on."

Any way you look at it, *Newsweek*, aping the British press of the recent period to a tee, is riding shotgun for the "inevitable" depression in the U.S. You can choose how you want it, but you're gonna get it, is the precise message — "to save the dollar," of course.

In point of fact, *Newsweek* might as easily have written a 10-page feature on saving hospital patients with arsenic. It is the persistent dwindling of productive economic activity, technological development, and capital formation to the account of larger and larger volumes of speculative credit flows — the poison of "slow growth" — that has hobbled the dollar.

As *EIR* emphasized, the \$32 billion central bank dollar-support agreement can perform admirably to its stated purpose, *provided* it is backed up with a vigorous program of government-directed expansion of high-technology capital formation and exports trade, in the framework of close U.S. collaboration and support for the European Monetary Fund "Grand Design" initiative, and *provided* that the high-interest rate measures are promptly transformed into the upper tier of a "two-tier" credit arrangement, such that the penalties against speculative investments are complemented by extensive long-term, low-interest credits for productive investment in industry and trade.

But "backing" the dollar support package handed Carter by Europe and Japan with a "controlled recession" — double-digit interest rates, a squeeze on the money supply, budget-cutting, with or without wage-price controls — is a commitment to kill it, and the U.S. economy too.

— Susan Cohen