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mercantilism" of Japan, West Germany, etc.—except the arguments in this case are bent against U.S. regional industrialist networks. Attacking all systematic long-term governmental credit issuance to industry, Luther Jr. and his co-author write that such governmental bodies "at most ... can provide 'spot assistance' to selected industries and communities." Regional subsidies to industry, Hodges Jr. avers, revive the discredited "mercantilistic" and "infant-industry" arguments of a bygone era. "Both the 'mercantilistic' and the 'infant-industry' arguments are essentially short-run solutions, for any period of time an area cannot sell to others more than it buys from them, and, clearly, infant industries must one day grow up...."

In a second book, *Bank Marketing: Iext and Cases,* written while Hodges Jr. was a senior VP at North Carolina National Bank (NCNB), the large Charlotte, N.C.-based institution, Hogdes Jr. spins out the fairy tale that shortly after the Industrial Revolution, overproduction set in, forcing businessmen and bankers to adopt a "marketing orientation." Business success now consists, according to Hodges Jr., in offering old products in a new package or with new ancillary services.

The book, intended as a textbook for bank officers, is rife with case studies from Hodges' own NCNB and Citibank, both of which have increasingly committed themselves to this "service" concept.

In the introduction to *Financing Industrial Growth,* Hodges Jr. states that the monograph was begotten as a counter to the endeavors of a number of rural-based states to foster industry to raise state standards of living. Hodges Jr. opposes such endeavors with the thesis that the highest per capita income comes not from economies with high proportions of industrial operatives but rather in economies with proportionally large service sectors. This, of course, is the thesis of the speculative international interests who created the real estate side of the "New South"—a swindle in which the origins of the careers of James Earl Carter, Reuben Askew, and Luther Hodges, Jr. himself are to be properly traced.

—***Richard Schulman***

INTERNATIONAL CREDIT

IMF loosens up ....a little

The International Monetary Fund has liberalized the rules for members' drawings on its compensatory financing facility. The IMF facility is mandated to lend to members in balance-of-payments difficulties because of "temporary export shortfalls," and thus it chiefly applies to Third World nations. The liberalization, such as it is, betokens the Fund's effort to contrive "a more human face," as London financial writers put it earlier this year, and regain some moral authority while maneuvering to keep the European Monetary System's lending to the Third World in its current piecemeal, limited stage.

Strictly speaking, the IMF compensatory facility does not lend, but allows members to withdraw portions of their membership deposits, or quotas, with the fund. Until Aug. 2, members could draw a maximum of 75 percent of quota. Now they can draw 100 percent, if the IMF is "satisfied that the member has been cooperating with the Fund in an effort to find appropriate solutions for its balance of payments difficulties." The U.S. State Department recently said off the record that it considers this tantamount to unconditional drawing privileges.

The facility was established in 1963, "liberalized" in 1966 and again, after the first oil-price hoax, in 1975. Since 1975, 3.4 billion Special Drawing Rights—in current dollars, about $4.4 billion—have been drawn, according to the Aug. 20 *IMF Survey*.

The same issue of the *Survey* gives one indication of what prompted this "liberalization," with a special feature on the Arab Monetary Fund. The article describes the AMF's $40 million in loans over the past nine months to five member-nations—Egypt, Sudan, Mauritania, Morocco, and Syria.

The Survey ostentatiously insists that "The AMF is not intended to be a development aid institution and is mainly concerned with financing balance of payments deficits of its member countries," although it is well known that Sudan, in particular, has derived real development benefits from the AMF's loan. Arab sources in New York and continental Europe have repeatedly stated to EIR over the past few months that the Fund will be enlarged to play an important role in helping Third World countries survive the energy cost squeeze, and could also be an institutional channel for cooperation with the European Monetary System—"rather than just handing the petrodollars over to the EMS," as one banker put it.

—***Susan Johnson***

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