Group of Seven won't join the re-elect Bush campaign

by Marcia Merry

At a meeting of the top economic officials of the Group of Seven industrial nations in Garden City, New Jersey on Jan. 25, the Bush administration tried to get the other six countries to do even more than they have done hitherto to prop up the bankrupt U.S. economy. In particular, the heat was on Germany to lower its interest rates, to encourage more investment capital to come into the United States. The answer was a resounding "no, thank you."

The meeting brought together finance ministers and central bank governors of the G-7 (Canada, France, Germany, Italy, Japan, United Kingdom, and the United States) for a seven-and-a-half-hour session on world finances and the economy. The G-7 meets two or three times a year, and the participants, who exalt themselves as directors of world economy, this time included Treasury Secretary Nicholas Brady, U.K. Chancellor of the Exchequer Norman Lamont, German Bundesbank President Helmut Schlesinger, and French Finance Minister Pierre Bérégovoy.

The Bush administration in effect confronted the group with its current program: to re-elect Bush. And six of the seven nations replied, "Interesting program, but it is not our priority." Or, in the diplomatic words of the final communiqué: "As to economic policies in their respective countries, ministers and [central bank] governors agreed that each country would implement fiscal, monetary, and structural policies to promote the conditions for sustainable growth with price stability. The specific mix of policies would vary depending on the circumstances in each country."

Even before the confab began, a German finance official diplomatically indicated to reporters that his government was not planning to toe the Bush line. "Different situations call for different measures," he said. It is possible that the Germans will back down on the issue of interest rates, but for now, Bush is confounded. During 1991, the Federal Reserve was repeatedly forced to lower interest rates in a frantic effort to pump liquidity into the bankrupt U.S. banking system. That process is made more difficult by the higher German interest rates, which attract to that nation investment capital desperately needed by the Anglo-Americans. Bush is in effect demanding that the Germans subjugate their economic policy to the desires of Washington.

Not only is this not selling in Bonn; Bush's policy—or lack of one—is not selling in U.S. cities either. As the economy shuts down and layoffs increase day by day, the non-program offered in the President's State of the Union speech (see article, page 60) is being met with derision. In one significant editorial comment, the *St. Louis Post-Dispatch* on Jan. 30 called for the President to wake up and "declare an economic emergency."

Desperate bids to prop up the banks

On another flank in the effort to bail out the banking system, New York Federal Reserve chairman Gerald Corrigan made the unusual request to meet with Bank of Japan governor Mieno in February in New York. Reportedly, the discussion topic is "financial market stability" in the two countries. Corrigan is in a position to know full well that the true condition of the U.S. financial markets is not at all what Bush administration propaganda likes to think it is. He may try to secure Japanese assistance in case of emergency. Maybe he thinks he has some policy changes to offer that would induce Japanese investors to pump in money, in the event of a stock market crash. The recent spectacular rise of the stock market only shows how vulnerable it is. In 1987, before the October crash, Japanese money was coming into the market. But there is no reason now to expect that the Japanese will repeat this folly.

Corrigan may have other items on his agenda as well. Recently, he was selected to head up the Bank for International Settlements' committee on capital adequacy standards for banks. Some in the European banking community are fretting that Corrigan wants to get Mieno to back a U.S. plea to other central banks to "ease up" on the current BIS bank capital adequacy requirements, which are to be reached for U.S. banks by Dec. 31, and for Japanese banks by March 31, 1993.

The recurring theme of Bush's reelection campaign is his demand that bank regulators provide "kinder, gentler" treatment for the favored, insolvent megabanks Wall Street. The Fed has already secretly taken over Citibank, and arranged mergers for several others, but has no way to pay for these bailouts.

Citibank already cannot meet the BIS capital standards required at year-end, and the other big banks meet them only through the most outrageous cooking of their books.

What is clear to the European bankers is that the Anglo-American financial system is sinking fast. There's fire behind the smoke of the U.S.-Japanese meeting—a colossal bank blow-out is in the works, and the U.S. is strong-arming its erstwhile allies in a vain attempt to get them to pick up the tab.

Economic shutdown

In recent years, the G-7 has colluded in monetary policies causing misery the world over. Even their communiqué of Jan. 25 featured the most uxorious lies, as they pledged to maintain "their commitment to the policy coordination process which has contributed to the good performance of the world economy in the 1980s."

But while the central bankers blather about economic growth, the real economy—measured in terms of the ability to sustain present and future generations—is shutting down throughout most of the world. While Bush's State of the Union talked about "growth," each hour brings news of more shutdown of the means of existence—food, water, and industry.

- **Heavy industry:** On Jan. 29, Bethlehem Steel—the second largest steel producer in the United States, announced a projected 25% cut in its work force, which is already at pared-down levels. In December, USX announced the shutdown of its Illinois structural steel facilities, ending USX manufacture of structural steel altogether. General Motors, the largest U.S. auto manufacturer, announced in December the phase-out of 30% of its work force, 74,000 jobs, over the next five years.
- **Agriculture:** As of January, close to 40 million acres of U.S. farmland has been semi-permanently "retired" from food production through the 1985 federal policy orders, the Conservation Reserve Program. This represents the output potential to supply 80 million people with their annual food supply. U.S. wheat stocks are at their lowest level since 1973-74, at a time when the need for world food relief has never been greater.
- **Water:** U.S. supplies are now below demand. What hydrologists call the national dependable average annual supply is below 520 billion gallons, when the real economy needs close to 580 billions of gallons. This gap shows up in the worsening regional shortages in the southwestern states, parts of Florida, and other eastern coastal regions. The water crisis is not "natural," but entirely man-made—the consequence of stalling and canceling needed water improvement projects over the past 25 years.
- **Health:** The social breakdown is manifest in disease outbreaks and death rates. For example, the national Centers for Disease Control in Atlanta, Georgia held a recent meeting on the spread of drug-resistant tuberculosis to 13 states.

Call for a state of emergency

The economic crisis is now giving rise to cries for help, in opposition to the Washington save-the-banks policies. "The President should look at the real world of not only suffering, but fearful Americans—and declare an economic emergency," stated an editorial in the Jan. 30 *St. Louis Post-Dispatch*. The paper has no program, but argues that the emergency declaration should be used to implement federal pump-priming, to "suspend temporarily the current deficit reduction rules to par for significant increases in public works spending, as well as generous tax cuts," even though, the editor states," the economy as a whole remains soaked with debt."

On Jan. 23, the leaders of the 250,000-member National Farmers Union held a Washington, D.C. press conference to release their "Economic Recovery Package." NFU head Leland Swenson told reporters that the plan focuses on "twelve economic segments and offers solutions for their recovery—jobs, housing, money and credit, the deficit, infrastructure improvement, health care, tax reform, energy, the environment, trade, hunger, and food and agriculture." He said: "The current recession is the longest in the post-World War II period. Since January 1989, over 2 million more people have become unemployed. Five million more people have had to resort to food stamps."

Viewed from abroad, the depth of the U.S. crisis is clear. President Bush "finds himself today a Herbert Hoover in a country beginning to yearn for a new Franklin Roosevelt," wrote London *Independent* commentator Peter Jenkins on Jan. 30. Under the headline "The World Should Worry About America First," Jenkins says that "the national mood [in the U.S.] is recessional in a sense that transcends the pain of the longest economic recession since the Great Depression." Meanwhile, Bush is obsessed with "quick-fix palliatives that may help to clinch his reelection in the short-term while adding to an already vast indebtedness and stoking up inflation in the longer. It is that longer-term state of the union about which the world should worry."