

personal control over all government ministries involved in trade, industry and economic planning, as well as the Treasury and the Bank of England's sterling policy. In order to spur economic recovery and insure that his strategy for industrial regeneration and export expansion is carried out satisfactorily, Callaghan will now directly oversee policy decisions relating to Britain's program for economic growth, "to clear away dead wood and allow industry to blossom" in the words of one official. Implicit in Callaghan's move, which apparently caught London by surprise, is a diminishing of Chancellor of the Exchequer Denis Healey's role. The press reports unanimously that Healey and those who supported him in urging an austerity policy during the International Monetary Fund negotiations with Britain are "living on borrowed time."

Callaghan's assumption of command directly precedes his visit to the U.S., where — as the "architect of recovery" in Great Britain — he will deliver an ultimatum to Carter on the need to expand world trade. Clearly preparing the way for its own expansion of trade with the socialist and Arab sectors, the British government announced this week that their ceiling on guaranteed trade credits is being extended from 18.3 billion pounds to 40 billion pounds, contingent on Parliamentary approval. This is an astounding increase given that the 8.4 billion pounds in credit extended in 1975-76 totalled 36 per cent of total U.K. export funds. For the first time, the government has also given the Trade office the right to back foreign currency loans — a probable move toward transferable ruble-financed trade.

Despite political turmoil in France and a policy by French President Giscard d'Estaing which remains subservient to Wall Street, the industrial and financial forces in the country are clearly laying the basis for a European development perspective. Following friendly talks between French Prime Minister Barre and his British counterpart Callaghan, during which the need for technological cooperation was stressed, the French government announced a 34 per cent increase in subsidies to the public sector (nationalized industries). This immediately sets the tone for a period of economic expansion and raises the obvious questions of financing. Partly due to the consolidation of France's relationship to the developing sector through the consolidation of several exemplary trade deals, Arab petrodollars are flowing into France for reinvestment use. The stock market is buoyant, with oil issues and chemical industry's stocks up 20 per cent. The French franc has

been gaining significantly, also indicating strong foreign inflows, but France has yet to actively promote the Euro-ruble axis.

French Gaullists and their allies in the French Communist Party (PCF), however, have echoed in particularly strong terms the diplomatic efforts of Italy and Britain to defuse the Carter war threat which is deliberately designed to sabotage growing Soviet-European rapprochement. Max Leon, former Moscow correspondent of the Communist daily L'Humanité, has officially rallied to the efforts of anti-NATO Gaullists, such as Admiral Antoine Sanguinetti, who claim that the implementation of the Schlesinger "limited nuclear war" doctrine would incinerate Western Europe. In a two-part series in L'Humanité, Leon lambasted U.S. thinktankers who exchange strategies and "coldly envisage an atomic massacre on our old continent under the cover of 'European defense'." While Italian Foreign Minister Forlani gave indications that he will respond to Soviet public endorsement of the Warsaw Pact's proposal for the mutual dissolution of the two military blocs, British Defense Minister Fred Mulley dealt a severe setback to the Tory warhawk faction. Countering a Conservative vote of censure against the Labour Government's policy of defense cuts, and an attempt to drag out the "Soviet war danger" line, Mulley asserted publicly that the Warsaw Pact military capability, by itself, did not constitute a threat to the security of the West. Mulley reaffirmed his government's position not to embark on massive rearmament, emphasizing that although military chiefs could always find a reason to justify increased defense expenditure, this time, they must abide by "political decisions made by Ministers and Parliament."

The motivating drive for these deliberate European moves is a firm, historically-based commitment to technological development as the only means to civilization's survival. This was made explicit by EEC Energy Commissioner Brunner who demanded the passage of a resolution at the European Parliament condemning the EEC Council of Minister for sabotaging European fusion power development. "Europe's patience has a limit," said Brunner motivating the resolution. "It does not intend to sit by and witness the liquidation of European fusion research." The final resolution affirmed that only immediate implementation of the program of thermonuclear fusion, including a decision on the site for the joint European Torus (JET) project could help secure the community's long-term energy needs.

West German Economic Program Not Compatible with Carter Hyperinflation

There is firm consensus in West German government and industrial circles that economic growth and real increases in productivity—not hyperinflation—are the only sensible goals for 1977. Although Carter's Jan. 6

announcement of his economic program for the United States has been received "politely" in official Federal Republic statements, there is no question that Bonn is coordinating its 1977 economic program efforts with

British, Italian and French forces, all heading for a collision with the Carter plan.

On Jan. 11, Bonn government spokesman Armin Gruenewald issued a statement to the press characterizing Carter's program as "impressive." But Gruenewald added that Chancellor Helmut Schmidt had his own methods for attacking the economic crisis and that the Chancellor would emphasize the role of "long-term investments" in improving economic conditions in his Jan. 6 policy statement to Parliament.

The same day, Otto Wolf Von Amerongen, chairman of the influential Chambers of Commerce (DIHT) spoke at a businessmen's conference in Cologne and called for the creation of a government, industry and trade union "coalition" to enable a "continuing guarantee of growth." In words similar to Gruenewald's, Amerongen stressed that increases in industrial output could be achieved only through a long-term investment policy.

The effect of the Federal Republic's aversion to pump-priming, non-productive "full employment" programs is to make virtually impossible smooth implementation of the Carter-Trilateral Commission economic program on an international scale. From the standpoint of the new Washington administration, Bonn should inflate parallel to Federal Reserve money-generating outlays to give the dollar credibility as a debt-collecting instrument abroad.

The official policy of the West German Central Bank is to hold expansion of the money supply (M3) to eight per cent this year. Far below the levels desired by Washington, the eight per cent goal has come under attack domestically. On Jan. 8, the West German industrial daily Handelsblatt reported on recent recommendations issued by the Rhein-Westfalen Institute (RWI), an economic research foundation reflecting the views of Ruhr-based industry. The RWI has established six per cent as the uppermost limit of money supply increases which the economy can sustain this year, and has determined that lowering of domestic interest rates—as demanded by the U.S.—would be useless, since industry's absence on the loan market is due more to the poor investment climate than the price of funds.

Increase Trade With Third World

The only means to improve the investment climate is to increase export orders to West Germany's basic

industry. On Jan. 9, Federal Development Minister Marie Schlei stated in a radio interview that West Germany cannot simply continue to allocate new funds to development aid, but must sign a series of export treaties with developing nations. She asserted that 500,000 new jobs—enough to solve 50 per cent of West Germany's current unemployment—can be created this way.

Schlei's projections have sparked an intensive debate on Federal development policy in the nation's financial press. A leading financial correspondent asserted with considerable demoralization today in a private interview that he doubted seriously whether Third World nations had the infrastructure and capacity to absorb more than their current 10 per cent of West Germany's exports. On the other hand, Handelsblatt correspondent Eberhard Wisdorff criticized Chancellor Schmidt in a Jan. 12 editorial for failing to raise the Development Ministry budget this year. Wisdorff called this "astounding for a government which last year realized that the North-South conflict has reached the dimension of a leading foreign policy issue."

Depressed Schmidt

Leading pro-Carter newspapers, notably the *New York Times* and the *Washington Post*, began this week to peddle the line that Chancellor Schmidt is "depressed" and "tired." This fabrication is closely tied to the same journals' claim that Schmidt is "waiting for Carter" to forward an economic program for the western countries. Exemplary of such wishful thinking is the Craig Whitney column in the Jan. 8 *New York Times*, and the absurd caption run in the recent issue of West Germany's *Der Spiegel* magazine retailing the line that the Chancellor has been heard muttering suicidal comments, such as "I would like to die."

This propaganda is directed at West German and European circles as a signal from Carter's Washington that the Administration is aware of Schmidt's line-up behind the Europeanist programs undermining U.S. dollar and military dominance. Bonn has not forgotten that prior to the engineered resignation of Chancellor Brandt in the first months of 1974, the exact same line appeared in these journals about Brandt's state of mind. Brandt handed the Chancellery over to Schmidt in May of 1974 following a phony scandal involving revelations to the effect that his personal secretary was an East German spy.