

Red Star (Soviet Union military daily), May 2: "President Carter delivered a statement to leaders of the information media in which, in particular, he said that May 7-8 in London there will be a conference of the leaders of several NATO countries and Japan. The President considers one of the main tasks of the conference to be the strengthening of NATO.

From J. Carter's speech it is clear that economic and financial questions will be discussed — that is to say, the problems which are the subject of the sharpest contradictions between the USA, Western Europe and Japan. In this regard, local political observers note that the

American Administration intends to try to soften these contradictions by making military questions the prime issue.

The President's statement says that at the London meeting the USA intends to set forth to the allies the American position on strategic arms limitation and on negotiations on this question with the Soviet Union. It also intends to discuss questions relating to the ongoing negotiations in Vienna on mutual force and armaments reduction in Central Europe which, as is known, have been stalled through the fault of the USA and certain of its West European partners."

LaRouche May Head New Monetary System

BANKING

The following announcement was issued on April 30 from Wiesbaden, West Germany, by International Caucus of Labor Committees European correspondent Laurent Murawiec.

Following a series of meetings between Labor Party representatives and bankers, industrialists, political figures and others during recent weeks, U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. has committed himself to head up a team of bankers and others to establish a new private bank. The institution to be established will serve as the vehicle for creating a new world monetary system replacing the International Monetary Fund.

The decision to resort to private initiatives was based on the following chief considerations.

The existing world monetary system is about to collapse. Key European bankers tend to concur in the rough estimate that a \$10 billion shortfall in second quarter payments will be sufficient to trigger a chain-reaction collapse of the IMF system. It is also agreed that major New York City banks and their foreign branches have a visible and unavoidable \$15 billion shortfall for this quarter. No solution will be found at the May 8 "summit," since no solution is possible within the framework of the IMF-World Bank-Eurodollar structure.

It is the estimate of those concerned that national governments of the OECD nations will not act to initiate a new monetary system until after the collapse of the Eurodollar market and complete breakdown of the IMF's operations. It is feared that unless some immediate alternative to OECD nations' government action is provided, the interval between a collapse and instituting of a new monetary system will be a protracted period of massive financial and economic chaos. Such chaos would unleash evil in relations among nations, and would probably damage the economic potentialities for recovery beyond repair.

It is therefore concluded that the only practicable alternative is the creation of a private bank, a bank constituted to assume the functions of an international central bank.

The proposed bank will be modeled on the Labor Party's *International Development Bank*. The institution will deal principally with either national banks or with special development banks performing national-banking-like functions for nations or groups of nations. Where such activity does not conflict with the institution's client relations with national banking institutions, it will also service industrial and private bank clients.

The new bank will purchase gold reserves, and will settle balances among its clients on a gold-reserve basis.

The new bank will provide credit only for delivery of tangible commodities and will extend intermediate-term and long-term credit only for industrial, extraction and agricultural capital expansion and improvements. Such intermediate-term and long-term credit will be granted only for those cases in which it is pre-established that the investment will be regenerative of tangible-wealth margins of national-sector absolute profit corresponding to efficient increases in the overall technological productivity of that national sector.

Under no ordinary circumstances will the bank issue credit for the purpose of directly or indirectly refinancing outstanding financial debts. In cases in which an insolvent nation or other bank client makes an appropriate financial reorganization, the bank will intervene to stabilize the client's productive output, and to provide capital for maintaining productive payrolls, necessary materials, and maintenance for this purpose. The bank will also act in support of clients in negotiating settlement of terms of financial reorganization.

The extent of the Bank's credit issuance will, of course, be limited by means available to it.

The principal purpose of the bank is to provide means for fostering "East-West" economic cooperation on terms suitable to a growing mass of high-technology exports of capital goods and related engineering services from the industrialized to developing sectors.

A special policy-feature of the bank is that the bank is opposed to the use of intermediate-term and long-term credit flows from creditor sectors to secure substantial profits on financial account from debtor nations. The proper function of a monetary system for industrialized and developing nations is to facilitate high rates of technological progress in both net-exporting and net-importing nations. The profits of national economies should

occur through the high rates of technological progress. Not only is that proper monetary policy, but it is the only acceptable basis for establishing a massive exchange of credits among capitalist, socialist and developing nations.

In making this commitment, Chairman LaRouche stipulated that his service to the new bank would continue only as long as he was not called to serve his country as President. In practice, the impeachment of the present U.S. Administration will most probably not be completed until Autumn 1977 or slightly later. The intervening months will therefore be adequate time for

establishing the new bank, and for building into the bank the elaborated policy-framework needed.

In releasing this information today, Chairman LaRouche emphasized that such an unusual advance announcement of pending actions was politically necessary. Although governments and other relevant institutions will not — with some few important exceptions — act to initiate a new monetary system now, it is urgent that they be informed of the nature and shape of developing alternatives, so that governments, bankers and industrial interests can begin adjusting their postures and financial positions accordingly.

EXCLUSIVE

What Carter's Summit Failure Means To The New York Banks

SPECIAL REPORT

As Jimmy Carter comes unsmiling out of the London Economic Summit of heads of state, with his attempt to organize European and Japanese support for some \$150 billion in Third World bank debt a complete failure, the New York bankers will be heading into the most traumatic days of their careers.

Less than one week previously, the same nations flatly refused to contribute to David Rockefeller's proposed \$20 billion slush fund at the International Monetary Fund; they repeated that refusal at 10 Downing Street. Neither will Japan and Germany in particular inflate their economies to pass the Third World an extra \$20 billion in commodity revenues as requested by the U.S. Treasury.

As a result, the estimated \$20 billion in Third World principal payments due between March and October of this year simply cannot be refinanced. They will be defaulted upon, along with perhaps another \$15 billion in interest payments due over the same period. The bulk of this default will fall squarely on the New York banks' some \$100 billion in Third World debt — poor odds for survival.

In fact, some U.S. regional bankers believe that it won't even take a Third World default or two to start the coming chain reactions. They say that the failure of any major bank to continue to simultaneously plug holes in the numberless dikes in their Third World, European, real estate, tanker, commodity and foreign exchange lending operations could trigger a bust directly at the bank level. In this case — with Citibank often cited as a candidate — bank depositors, especially the increasingly pro-gold Arab countries, would lose confidence in the bank and a series of others and begin unstoppable withdrawals.

This report will detail the dependence of the New York banks on, and the full extent of such speculative loans,

including those to the Third World, and pinpoint the nature of the defaults.

The Debt and the Dollar

The dependence of the New York banks' operations on speculative international lending, loans made to finance deficits and generally recirculate past debt obligations, is immense, as is show even by official figures. Federal Reserve figures for the top nine New York clearing house banks alone show that from January 1976 to January 1977, foreign branch deposits of these banks rose by nearly \$13 billion, while domestic deposits dropped by over \$7 billion, a net swing in favor of foreign operations of over \$20 billion. During that time, foreign deposits went from 48 percent of nine banks' *total deposits* to 55 percent, or \$87.84 billion out of their total \$161.3 billion deposits. The real figures, taking Swiss and other European banking estimates, put the total extra-U.S. lending of all New York banks on the Eurodollar and Bahamas market at something close to \$250 billion.

Similarly, international profits have been the decisive factor in the *earnings* of the New York banks, whose ability to at least maintain stockholders confidence as corporations is especially crucial now — one really sharp drop by a major bank stock could also blow the whole game. While the reported international earnings of the six largest New York banks rose from \$141.1 million in 1970 to \$611.2 million in 1975, for example, their domestic earnings slipped from \$465.3 million to \$407.7 million, or only 40 percent of the total. Citicorp, the largest New York bank, had a stupendous 70 percent of reported earnings from its international business in 1975, and there are estimates of 75 to 80 percent in 1976.

Furthermore, these foreign operations of the New York and other U.S. banks have critically undermined the U.S. dollar. During the period since especially 1973, debt caused U.S. agricultural and capital goods exports to drop precipitously to the Third World and, secondarily, to Western Europe and Japan as raw materials prices rose, leaving the U.S. with a merchandise trade