

'Reagan in alliance with Europe would be stronger than Volcker's blackmail'

by Helga Zepp-LaRouche

The following commentary was written by Helga Zepp-LaRouche, national chairman of the European Labor Party in West Germany, on Feb. 5.

Just before President Reagan's national statement on economic policy tonight, West German Chancellor Helmut Schmidt, in an interview with the weekly newspaper *Die Zeit*, demanded: "Now the Americans must bring down interest rates!" At the same time the state secretary in the chancellery in charge of financial policy, Horst Schulman, announced a new West German initiative: to convene an international "interest-rate disarmament conference" as soon as possible for the purpose of lowering interest rates. Bonn has already undertaken negotiations on the conference with France, the United States, and Great Britain. Respected bankers like Dresdner Bank board member Hans-Joachim Schreiber are directing urgent appeals to the United States, stating that Mr. Reagan must get the economy moving and end the high interest-rate structure, if a deep slide into a world depression is to be prevented.

Behind this appeal lies far more than a concern for the condition of the world economy. Europe *knows* that President Reagan is currently being *blackmailed* by an international conspiracy of financial interests, represented by Federal Reserve Chairman Paul Volcker. This is an incredible scandal, that Volcker is forcing the President of the United States, a supposedly sovereign nation, to submit to his high interest-rate policy. Otherwise, Volcker threatens to resign, a signal for the provoked total collapse of the dollar, coordinated with Volcker's friends in the international financial community. This scandal is what has accelerated the Europeans' initiative.

As Gaullist candidate for the French presidency Michel Debré emphasized during his latest visit to the United States, Europe sees as the only path out of the economic crisis the establishment of a new world monetary system that can provide low-cost, long-term credit for the industrialization of the developing nations, as well as productive investment in the industrialized sector.

What is concealed from the American people by the Eastern Establishment-controlled media is the fact that there already exists an important alliance of countries that view the expansion of production and exports as the

alternative. Along with the natural gas agreement between West Germany and the Soviet Union, which involves a total of \$500 billion, in recent weeks trade accords have been reached among West Germany, France, Saudi Arabia, Iraq, India, and Mexico totaling about \$150 billion

The founders of the European Monetary System, Schmidt, Giscard, and their closest associates, share the attitude that America cannot stay out in the cold, but on the contrary, that with American collaboration with the EMS, the establishment of a two-tiered credit system, and a massive expansion of American exports, America can quickly be brought into economic bloom. Not least because of their concern about the international strategic balance, Schmidt and Giscard want a strong dollar, not on the basis of speculative flows into the currency, but on the basis of a healthy, growing economy.

Yet precisely because the European faction represented by Schmidt and Giscard want a strong America, it is alarming to see how, through the Carter legacy, Reagan is in danger of being turned into a tragic figure.

Here is Reagan, a sympathetic, evidently profoundly honorable man, on whom the hope of a shaken nation now rests—the hope that after four years of disgrace and humiliation under the weakest President in their history, after years of foreign-policy defeats and economic decline, and the horror of the moral degeneration and rising drug dependency of its youth, the United States will finally recover itself again.

Despite the best personal intentions, Mr. Reagan is in a position to fritter away all this, because he has around his neck the miserable inheritance of the Carter administration, the *Wackerstein* Volcker. Reagan won the election because the majority of American citizens, as sound patriots, would no longer allow their nation to be ruined economically and otherwise by a bunch of kooky liberal one-worldists. If Reagan does not immediately free himself from Volcker's hammerlock, he will not only lose the confidence of the American people. He will play directly into the hands of those who are preparing the "Reagangate" scandals and a worldwide anti-American destabilization against him: the Socialist International.

For Europeans, Volcker is the symbol of a continuation of Carter policy. And for them the question goes far

beyond interest-rate levels.

Under Carter, the relations between Europe and the United States sank to their absolute low point since World War II. In Bonn and Paris, above all, the connection is all too well known between an escalating world economic crisis, for which the insane Carter policy was viewed as responsible, and the momentum toward a new world war—a connection that people in Europe have gasped far better than those in the United States.

At the beginning of 1978, Schmidt and Giscard were convinced that Blumenthal and Carter were intentionally, and for ideological reasons, sabotaging the dollar and the world economy. Increasingly, political circles in Europe proceeded from the assumption that Carter was incalculable and unreliable, and that Europe had to assume more of the initiative within the Western alliance. While in the course of 1978, the West German central bank had to pay out over \$40 billion to support the dollar Blumenthal was wrecking, Schmidt and Giscard were trying to maintain détente with the East.

The historic 25-year cooperation accord between Schmidt and Brezhnev in May 1978 was followed in July 1978 by the founding of the European Monetary System by Schmidt and Giscard at the European Committee summit in Bremen. Contrary to all the rumors spread by the Carter administration, the EMS from the beginning was intended as the cornerstone for a new global monetary system, aimed at maintaining a strong dollar as the world reserve currency. Above all, however, Schmidt and Giscard saw the establishment of the EMS and the overcoming of the world economic crisis as the only effective strategy for avoiding war. In the autumn of 1978, there was frequent discussion in the European press and in European business circles that the EMS initiated by Schmidt and Giscard was based on the theoretical concepts that Lyndon LaRouche first presented in 1975 under the name "International Development Bank."

At this point, there is panic among the political circles known to Reagan supporters under the name of one-worldists. The industrialization of the Third World initiated through the EMS by means of advanced technology would prick for once and for all the fantasy of a return to the Dark Ages.

The oligarchic faction and the same international financial community that instigated Volcker's blackmail against President Reagan resolved to wreck the EMS at its outset, because they accurately feared that it would drastically reduce their influence. They chose a dual strategy of sabotaging the EMS from within and from without. The policy of high interest rates and resulting currency instability was intended to make the fixed parities within the EMS impossible. On the other hand, destabilizations in what Brzezinski termed the Arc of Crisis were intended to destroy potential export markets internationally for the EMS member nations.

In December 1978, when the EMS was officially adopted by the European Community, Milton Friedman threatened in a statement from Sweden to launch trade war and financial warfare. At the same time, Henry Kissinger, through the Aspen Institute in West Berlin, coordinated the destabilization of Iran. "It is not true that cooperation with the East on the basis of development of the Third World is possible," raged the inflamed Kissinger, "it is not true that economic development leads to political stability—the best example is Iran." It was decided to make Iran into a bloody example for every country Third World that aspired to industrialize.

During the entirety of the past year, the issue has naturally been the so-called big potato, the OPEC surplus, which could be used either to consolidate the insane refinancing schemes of the International Monetary Fund, or instead to finance technology transfers by EMS members to the Arab nations and other developing countries. Kissinger, who played a more important role in the Carter administration than is generally known, worked to the best of his abilities with Alexander Haig, at that time NATO commander, in order to block the integration of OPEC revenues into the EMS.

The Gulf region was not supposed to be industrialized, but rather, in line with the Bernard Lewis Plan, splintered into ethnic regions and thrown back into the Middle Ages. In early and mid-1979, Warren Christopher and Defense Undersecretary Robert Komer traveled repeatedly to Europe. In order to indirectly compel the Europeans to agree to their demented plans, they demanded an extension of NATO's sphere of operations into this region, a measure the Soviets would never accept, as well as the militarization of the region through the secret clauses of Camp David.

When the Carter administration's controllers had to acknowledge that blackmail could not deter Europe from its progrowth orientation, they decided to pull out all the stops. Europe was to be squeezed between the pincers of high interest rates and the economic crisis triggered by Iran. Congressman Reuss, a supporter of the Brandt Commission and declared enemy of Helmut Schmidt, wrote letters to Carter and G. William Miller stating that Europe must be forced to stop its growth policy. The House Banking Committee issued reports prophesying the imminent collapse of the EMS.

On Oct. 6, 1979, the situation came to a head: Volcker launched his high interest-rate policy, which within five months sent inflation from 13.5 percent to over 20 percent. *EIR* and Lyndon LaRouche were the only ones to anticipate this outcome. In November, the American hostages were seized in Iran.

Carter threatened to take military actions against Iran, on the one hand, an action that in the view of

international experts was far less likely to free the hostages than to force a cutoff of oil supplies which would affect Europe far more acutely than the United States and collapse their economies—and thus an end to the EMS.

By the early summer of 1980, Europeans were convinced that the world was standing on the edge of World War III. Schmidt repeatedly voiced this estimation within the space of a few weeks, and warned that the superpowers had no war-avoidance strategy. Increasingly it seemed that the Carter administration had gone insane. That was the background for Giscard's unilateral visit to Poland, and Schmidt's trip to Moscow.

Meanwhile, the effect of the high interest-rate policy on the European economies was catastrophic. While, until March 1980, West Germany was relatively able to counterbalance the oil price increases and the double effects of high U.S. interest rates (namely, compulsory increases in its own interest rates and the wreckage of certain export markets) through heightened export activity and the resulting increase in capital flows to the West German economy, in September 1980 the trade balance turned into a deficit for the first time.

Overall, West Germany's industrial output for 1980 sank about 6 percent as a result, and unemployment rose to 1.3 million. For most of the other European countries, the picture has turned still worse.

In Europe, concern is, moreover, mounting about the potential effects of a collapse of the American economy. By last December, former central bank chief Otmar Emminger already feared that in view of Volcker's high interest-rate policy, the U.S. economy could not last much longer than six months.

While the collapse proceeds in the industrialized countries, the world is sitting on a powderkeg as far as Third World indebtedness is concerned. With interest rates around the 20 percent level, the developing countries, which have about \$400 billion in debt, accumulate some \$80 billion in extra interest alone, whose financing, not to speak of any debt liquidation, becomes increasingly impossible. The collapse of the banking system, with which some especially immoral representatives of the international financial community are flirting, hangs over us like a Sword of Damocles.

If the policies for which Volcker, Milton Friedman, the Heritage Foundation, and the IMF stand are carried out, that means mass death for the Third World. Five years of depression, as resolved upon at the last IMF session in Washington, are synonymous with hundreds of millions of dead in Africa, Asia, and Latin America, if not far more. This, along with Volcker, is another cuckoo egg Carter has left behind for Reagan, and is now being worked out with the full complicity of Haig and an entire staff within the State Department, while

Wilson Schmidt and others at the Treasury continue the work against the EMS.

Every political development of the past two years can only be understood in the framework of the most fundamental and most important battle: the battle between the one-worldists, who intend to halt economic growth and reduce the world population in pure Nazi fashion, and those who intend to overcome the depression through a new world economic arrangement and take on future problems through constantly improved technologies.

On the European side, the difficulty consists, among other things, in the fact that under enormous political pressure Schmidt and Giscard in particular have become more susceptible to what are often simpler-seeming pragmatic solutions. And, since the 1979 Belgrade conference of the IMF, a softening of IMF credit conditionalities for the Third World has been promised, in order to prevent an energetic follow-through on the EMS.

Meanwhile, the immediate needs of covering their trade deficits have influenced Schmidt and Giscard to pursue less energetically the institutionalization of the EMS as a global system, and to focus on directly obtaining OPEC funds, which for all their usefulness do not eliminate the basic problem.

On the American side, the major problem is that Reagan was indeed elected by good, progrowth Americans, but only the cabinet appointments affecting domestic policy reflect this tendency, while the areas of foreign policy, intelligence, and economic policy are dominated by advocates of the postindustrial society. Then there are those, like Jude Wanniski, who pretend to work toward the EMS, but are actually engaged in "Reagangating" the President's associates.

The question now is the courage of Reagan, Schmidt, and Giscard. Just as surely as the establishment of the EMS is a war-avoidance policy, the continuation of Volcker's policy will sooner or later lead to war, because it precipitates destabilizations that will finally spin out of control. The greatest danger is that Reagan, Schmidt, and Giscard will deal *pragmatically* with their specific problems. Compromises mean cumulative motion toward disaster.

In dealing with an international conspiracy to blackmail the President and the American population, Mr. Reagan has every right in the world to call on his best allies for assistance, even when that is not the pragmatic path because these allies are perhaps neither members of his party, or, in the case of Schmidt and Giscard, of his nation. The authors and initiators of the EMS must now quickly and decisively work together.

The policy of blackmail must be broken for once and for all. History may perhaps give us no second chance.