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Turning The Screws On Algeria

The national oil company of Algeria, Sonatrah, was refused a $300 million loan on the Eurodollar market last week by New York-controlled European Economic Community officials. The action brought a strong protest from Algerian officials who denounced the EEC action as a "political pressure" tactic. The same Eurodollar vendors approved a loan to Morocco for $300 million.

In need of credit for the development of its gas industry, Sonatrah was forced to turn to the United Arab Emirates (Saudi Arabia and Kuwait) for a loan of $50 million; that loan is the "first of its nature" from the reactionary, Wall Street-puppet Saudis to the progressive Algerian regime. New York is now to use the new debt as a point of leverage to maneuver Algeria away from its position as leader of the pro-development camp and compromises with the Saudis, an idea evidently devised by Robert McNamara.

As one New York banker frankly admitted, their policy is "No more credit for Algeria." But at the same time Robert McNamara, World Bank president, held an unannounced meeting in Riyadh, the Saudi capital, to discuss, among other things, "Saudi aid to Algeria."

In tandem with the credit squeeze, the Atlanticist banking community has directed intelligence agencies to revive the "old leadership" of the Algerian revolution to apply direct political pressures to the Algerian regime. The CIA trotted out several such faded "revolutionaries" to denounce Algerian President Houari Boumedienne for running a "totalitarian regime" in communiques from Morocco.

As the July issue of Middle East Magazine acknowledged, however, "signs of trouble were bound to emerge" in Algerian politics — not because of "totalitarianism," but because of "Boumedienne's commitment to industrialization."

An Algerian official summarized for NSIPS: "Our government has been trying to transform a peasant nation of about 16 million people into an industrial society. That is something that our enemies do not want to see."

NEW SOLIDARITY INTERNATIONAL PRESS SERVICE

Domestic Markets Newsletter

Tailspin Continues:

"Dog Days" Come Early For U.S. Economy

NEW YORK, July 17 (NSIPS) — Three clear cut choices for U.S. economic policy were put forward this week. The Democratic Party, at its National Convention in New York City, adopted a Brookings Institite-Institute for Policy Studies-dictated party platform which under the rubric of "full employment" calls for de-industrialization, a return to primitive technology and austerity, to be implemented through a corporate "watergating" campaign to discredit industrial centers of opposition.

Top Administration officials meanwhile have continued their refrain on the benefits of "go slow" economics in their mid-year review of the Federal budget yesterday.

In contrast, U.S. Labor Party candidate Lyndon LaRouche, Jr. released a Presidential Campaign Memorandum on Industrial Policy directed to American industrialists and related forces which calls for an expansion of U.S. production on the basis of "this we can do" proposals. The core of the USLP program is debt moratoria coupled with scientific and technological development toward the building of a fusion-power based world economy.

The discrepancy between the urgent worldwide need for U.S. industrial and agricultural products and current stagnation of U.S. industry was highlighted by yesterday's release of the Federal Reserve Board's Industrial Production Index for June. As predicted last week, the index showed only a very small increase, 0.3 per cent over May. With consumer products production continuing its four-month trend of stagnation, and materials production slowing down to a 0.4 per cent increase, the bulk of the small increase was accounted for by production in the equipment category. Since this category seems to be regularly revised downward, and employment statistics for June show that machinery (both electrical and non-electrical) employment and aggregate weekly hours declined, the reported production increase is highly suspect. Consequently total industrial production for June was likely totally flat. This would be more in line with the reported 0.7 per cent decrease in aggregate weekly hours of production and nonsupervisory workers on "goods-producing" payrolls in June.

The Business Week index corroborates the Federal Reserve Index, showing a mere 0.3 per cent increase over the four weeks ended June 26. On the basis of preliminary figures, the index seems likely to decline for the week ending July 3, when raw steel, automobile and truck production declined. Steel production for the

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week ended July 10 was further down 2.7 per cent from the week before, with operating capacity utilization dropping to 85.3 per cent.

No Solace Ahead

As a result of the decline in retail sales recently, wholesale inventories shot up $401 million in May. Besides backup from the retail sector, a large part of this increase, $264 million, was the result of speculative hedging on metals and metal products. Similarly, manufacturing inventories showed a positive swing of $1.08 billion from April, with $804 million of this accounted for by a buildup of inventories of materials, supplies and work in progress in anticipation of price inflation.

Although retail sales were reported by the Commerce Department to have risen 2.7 per cent during June, this figure is highly misleading. Other than the fact that the figure itself is very susceptible to large revisions (the reported May decline of 1.2 per cent was later revised to a 2.1 per cent decline), the reported rise of 2.2 per cent in non-durable sales is strictly due to the pushing ahead of summer clearance sales. The lead article in the July 19 Business Week quotes the vice-president of one Chicago store as saying, "A lot of people are dumping goods."

Otherwise, the retail sales figure was boosted by a reported 6 per cent rise in auto dollar sales, despite the fact that auto unit sales remained essentially flat in June. While auto analysts attribute this to the fact that large cars are in short supply and consequently people have stepped up their purchases of these higher priced models in anticipation of future shortages, its clear that auto sales are actually continuing to come in at very disappointing levels. Sales for the first ten days of July were at an 8.5 million annual rate, compared to March's 9.3 and June's 8.9.

No Consumer Demand

It would be foolish to expect any real strength in consumer demand. Since personal income figures are so weak. According to the highly unreliable figures of the Bureau of Labor Statistics, average hourly earnings of production or non-supervisory workers on private non-agricultural payrolls increased by only 1.5 per cent in constant dollars from May 1975 to May 1976 (the latest month available). With employment and hours weakening, its clear that there is no underlying basis for a real pickup in retail sales.

Money Supply Jumps

The latest reported jump in the money supply (M1 up $2.6 billion and M2 up $3.9 billion for the week ending July 7) has revived fears that Federal Reserve Chairman Arthur Burns' recent "loosening" of the credit spigot will result in jumps in the monetary aggregates, new inflation, and a jump in the interest rates soon thereafter. It is abundantly clear to anyone who cares to face the facts that the U.S. economy is spiralling downward at an accelerating rate, with small increases in industrial production bought only at the expense of much higher inflation. Such increases are certainly not worthy of being called a "recovery." The last time the industrial production index stagnated, back in October, Burns turned on the money spigot. Faced with the similar situation in a far worse overall economic climate, he again seems to be opting for the "diarrhea" treatment.

The Fed Chairman's actions are even more striking when one takes into account their occurrance at a time when the latest two-week figures for the BLS commodity spot market price index shows foodstuffs up from 213.7 to 223.6, industrial materials up from 208.9 to 216.3, etc.

How long this ridiculous spectacle will be tolerated by potentially sane industrial forces in the U.S. is the key question of the U.S. economy.

Banking Ctte Report Exposes Wall St.'s Fascist Programs

July 13 (NSIPS) — When former Banca D'Italia governor and NATO agent Guido Carli identified Wall Street's Eurodollar monster as the international monetary system in existence today, he was not exaggerating one bit. The recently released Congressional Report on International Banking affirms this fact in unmistakeable terms.

This article is the second in a two-part series on the report which was compiled by the staff of the U.S. House of Representatives' Committee on Banking. The first part reviewed the report's findings on the conspiracy involving Federal Reserve Chairman Arthur Burns and the New York banks to give finger-tip control over international allocation of credit to Wall Street via the lawless Eurodollar market, and to protect the dollar empire at the direct expense of the international economy. The comprehensive 447-page report is the best printed corroboration to date of the accuracy of the Labor Party's conclusions in its now famous report on the "Bermuda Triangle Banking Conspiracy."

The Eurodollar Market: A Historical Perspective

It is commonly believed that the Eurodollar market owes its existence to the need of the Soviet Union to find a safe depository outside the continental United States for its dollar-denominated foreign exchange holdings. Once this is recognized as a myth, the truth behind the creation of this paper tiger can be acknowledged. Even the widely held notion that the market's creation was the result of gigantic U.S. balance of payments deficits vis-a-vis Europe is only a half-truth.

As the Congressional staff report documents in great detail, the market was created in the 1960s by the Rockefeller-linked New York banks, with the support of the U.S. Federal Reserve Board and such Rockefeller proteges in Congress as Senator Jacob Javits of New York, for the sole purpose of demanding a "rate of return" on the mass of burgeoning dollar paper from the non-U.S. productive sector. This was necessitated by the growing inability of the increasingly illiquid U.S. based business sector to service the exponentially-expanding mass of dollar-denominated debt.

By 1967 the magnitude of dollar debt instruments seeking profits in Western Europe was so much in excess of that sector's capacity to absorb such instruments that a full-blown dollar crisis had erupted. Despite the forced devaluation of the French franc and an upvaluation of the West German mark — the fixing of new parities for these currencies against the dollar with the view of making them overvalued vis-a-vis their "market strengths" — a point had been reached by 1969 when under the then-existing international monetary arrangements, a dollar bust was unavoidable.

Caribbean "Shells"

That's when Arthus Burns, in a flagrant violation of the Federal Reserve Act of 1913 and despite opposition from Representative Wright Patman (D-Tex.), chairman of the House Banking Committee and Governors of the Fed, gave the go-ahead for the establishment of U.S. bank "shells" in the Caribbean. The monetary objectives were straightforward. These post-office box branches of U.S. banks could be used to make it more attractive for holders of greenbacks to maintain their holdings in dollars as they could earn inter-