important question of coordinating exchange rate policies against third countries appears to have been relatively neglected ....

Le Figaro, *Alain Vernay, Sept. 6:*

. . . Britain, for its part, is refraining from outward expression of its hostility to anything that could contribute to the creation of a European unit of account....London prefers to wait for the moment to negotiate its eventual acquiescence to a watered down version of the plan in exchange for modifications of the Community's agricultural and budget mechanisms.

...Germany apparently prefers that European parities be established vis-à-vis a grid of parities as close as possible to the snake mechanism. The other EEC nations prefer, on the contrary, to calculate based on a basket of currencies, leading toward the creation of a European version of SDRs....

From an interview with an economic official of the government of the Netherlands, Sept. 7:

Q: What is the potential for the European Monetary Fund to extend long-term dollar credits to, for example, the Third World, as the European press suggested at the time of the Bremen summit?
A: The credits are strictly for use within the Community — short-term credits for intervention, and medium-term for balance of payments problems.

Q: What about this fixed-rate concept versus the basket of currencies....
A: The question is whether there will be a different band of fluctuations for members who were not part of the old snake, and whether the smaller countries will be burdened by the mark's peg to the European Currency Unit, so that its fluctuations make us intervene; there is also the question of valuing the gold component of the EMF so that too much liquidity is not created....

Q: How does the EMF fit in with the IMF?
A: There is a necessity to bring it into accordance with the IMF, and avoid competitiveness. I am pessimistic about the possibility of the EMF's surveillance becoming stricter than the IMF's, but in the past the EC at least attached about the same conditions to its loans to Italy, the UK and others as the IMF did. What concerns us is that France wouldn't mind having the present snake abolished.

Q: What are the potential effects on the dollar?
A: The goal is primarily stability among EC currencies. Later there may be a common relation to the yen or the dollar, but not necessarily.

Bank Of England's Deflation Scenario Unfolds

BUSINESS OUTLOOK

The Bank of England's plans for throwing the U.S. economy into a deflationary tailspin devolve on pushing suggestible Jimmy Carter into an Aug. 15, 1971-style wage-price freeze as a response to the continuing fall of the dollar and the "mounting evidence" of a surge in the U.S. inflation rate. According to one well-informed source, Sept. 18 is the deadline for the formulation of a stringent "anti-inflation" program by the new group designated by Carter at the Aug. 26 meeting of the National Security Council.

The standby authority used by President Nixon in 1971 to impose mandatory wage-price controls has since expired, and Congress is unlikely to pass new legislation, so Carter will have to take a different approach. He is expected to go for "voluntary" wage-price guidlines that will be given teeth by the blackmail capabilities of the various regulatory agencies — the Environmental Protection Agency, Occupational Safety and Health Administration, etc. For example, steel companies distressed at the failure of Treasury Undersecretary Anthony Solomon's "trigger price" system to limit foreign steel imports, a trade off of protectionist import barriers for "price restraint" would be the blackmail offer.

In his testimony before the Senate Finance Committee Sept. 6, Federal Reserve Chairman G. William Miller carefully avoided any mention of any form of wage-price controls but he called for the implementation of a package of fundamental actions within the next 60 days to "stabilize the dollar." Miller's fundamental actions were passage of Carter's energy bill, postponement of next year's scheduled increases in Social Security taxes and the minimum wage, and cutting the federal deficit: the deflationists' credo.

Miller's statement had the immediate effect of sending jitters through the foreign exchange markets, and causing the dollar to fall against every major currency.

There is is of course, widespread aversion in the

U.S. to the Schlesinger energy package, wage-price controls, and London's other schemes to "stabilize the dollar" by collapsing the U.S. economy, but Administration inaction on a positive defense of the dollar — which would center on a hookup between the U.S. and the emerging European Monetary System — has left the door open for another Aug. 15, 1971 "shockwave."

In a recent interview with press representatives from American labor organizations, Carter said that he would not look to mandatory wage-price controls "unless our nation faces a very serious emergency or crisis." Such as that created by tthe continuing London-orchestrated run against the U.S. currency, perhaps? Given an "emergency or crisis" like that, Carter's "philosophical" opposition to mandatory controls would dissolve.

Further in the interview, Carter made the serious blunder of not dissociating himself from the recessionary high-interest rate policy of Miller at the Fed. "I don't believe that the present Chairman of the Federal Reserve has any substantial difference in philosophy from my own about the proper balancing of inflation control and keeping full employment in our country," Carter said.

Bosworth's Comeback

Equally ominous, the new task force which is formulating the next phase of the "anti-inflation" fight is headed up by Barry Bosworth, director of the Council on Wage and Price Stability. Bosworth had been censured by Carter earlier in the summer for his confrontationist approach to the U.S. trade union movement—playing the complementary role to UAW president Doug Fraser who is predicting "class war."

Bosworth was supplanted by Special Trade Negotiator Robert Strauss as the Administration's chief inflation watcher, but has continued to make provocative statements without White House clearance. Last month he attacked the Teamsters in a speech before the trucking industry's bargaining group and threatened government intervention in the upcoming contract negotiations. His political resurgence in the new task force indicates its coloration.

The overall scenario for dollar collapse laid out in a recent document being circulated by the Bank of England was reiterated in the Aug. 28 issue of the *Investment Index* published in Zurich. Nothing the U.S. does will stop the fall of the dollar, according to *Investment Index.* The U.S. government is unwilling to adopt strong anti-inflationary policies; the American trade balance will continue sharply negative whether or not oil imports are reduced; foreign central banks are no longer willing to support the dollar; etc. Prompting a massive run out of the dollar, *Investment Index* asks, "Will the oil producers wake up?"

The *Investment Index* was started in 1962 by the German-born Baron von Plettenberg, a friend of Otto von Hapsburg, and one Romolo Honegger. Honegger published the newsletter after the two split up several years ago. It isn't hard to see who the dollar's enemies are. According to *Investment Index:*

> Regardless of whether the U.S. government tries to reverse the decline of the U.S. dollar against other major currencies by such lightweight measures as a one-half percent increase in the discount rate, the weakness of the U.S. dollar is likely to resume . . .
>
> Assuming that before the current supercycle, which started in 1929, ends in a worldwide economic collapse, a period of "muddling through" will take place (before a "New Dollar," a split into a trade and finance dollar), some foreign investors (such as the oil producers) may realize that their only way of exchanging their dollars for real value will be investment in U.S. assets (including shares, although these are not a real inflation hedge) which, measured in other currencies, are becoming cheaper by the day . . .
>
> In the end, trust in all paper currencies will be lost, including in the DM, these having been undermined by the constant float of excess dollars taken up for years by central banks as ever decreasing monetary "reserves."

Incomes Policy Won't Work

An August 1978 study by Alice Roth and Andre Sharon at Drexel Burnham Lambert warns against the imposition of wage-price controls, demonstrating conclusively that they won't work. The study reviews the miserable experience of the incomes policies in the

Who Will Save The U.S. Economy From The Bank Of England?

Further investigation has revealed that the report now being circulated by the Bank of England entitled the "Growing Structural Vulnerability of the U.S. Dollar" (see last issue of the *Executive Intelligence Review*) was actually written by a still unidentified economist at a U.S. bank in collaboration with the Cambridge Economic Research Group. This accounts for some of the report's Americanisms, and it also serves to underline the threat to the U.S. economy and sovereignty from within.

Circulation of the report to business leaders and public officials has elicited appropriately concerned responses. One Federal Reserve official commented, "If the Bank of England is doing this with the dollar, it's a national security issue." A staffer at the Council of Economic Advisors said it was "totally inappropriate for a central bank to circulate the report" and that the report was "totally inaccurate." Washington sources indicate that the House Banking Committee sent a formal request to the Treasury for a copy of the document, much to the distress of certain members of the Treasury Department.

United Kingdom and several other European countries, and points out that the two success stories of the post war period — Japan and West Germany — were guided by a commitment to high rates of investment in research and development and new plant and equipment, and a rejection of the incomes policy route. And the report hints at the obvious solution to the current crisis of the U.S. economy and dollar:

> In the final analysis, high levels of investment in new plant and equipment and the development and application of new technology raise labor productivity and are the only ways to achieve a *permanent* moderation of inflation.

Such a solution is at hand, in the U.S.'s joining the development strategy of the EMS, and bankruptcy of the International Monetary Fund and other London dominated institutions which have strangled global economic growth.

— Lydia Dittler

Deregulation Axe Sharpened For Airlines, Trucking

CORPORATE AFFAIRS

A September offensive has begun against American industry and labor through such federal regulatory agencies as the Civil Aeronautics Board, Securities Exchange Commission, and Environmental Protection Agency, the Justice Department Antitrust Division. Flanking maneuvers in the Congress are led by Sen. Edward Kennedy and his allies. Under the guise of "deregulation" of the aviation and trucking industries, the intent is to establish top-down control over the U.S. economy through the regulatory agencies.

The schedule of events — a Sept. 14 House vote on an airline deregulation bill, accelerated Kennedy Antitrust Subcommittee hearings on the trucking industry, a Sept. 18 Washington, D.C. dinner attended by all the agencies, Kennedy, and the Brookings Institution — is set to coincide with a reported announcement by Carter Sept. 18 on inflation. Under conditions of congressional resistance to his most cherished legislative programs, a panicky Carter is profiled to avoid a disastrous head-on collision and fall in line with the "administrative law" approach of the agencies instead.

The Sept. 18 dinner is scheduled to consolidate anti-industry and anti-labor forces, preparatory to escalating the September offensive from airline deregulation to deregulation of the more resistant trucking industry. This escalation will intersect the approaching trucking industry-Teamster negotiations for a new Master Freight Contract to replace the contract expiring next March. The $250 per plate gala is being sponsored by the "National Independent Truckers Unity Council," a group spun out like the anti-Teamster PROD and TDU "labor" countergangs sponsored by Ralph Nader and Kennedy circles. Speakers at the affair will be Kennedy and John Schenefield, head of the Justice Department's Antitrust Division. A representative of the American Trucking Associations will be on hand to attempt a rebuttal of Schenefield. Also prominent will be representatives of the Civil Aeronautics Board, Environmental Protection Agency and Sierra Club, the Occupational Safety and Health Administration, and Common Cause.

The ostensible political objective which draws together such seemingly strange bedfellows as "liberals" Kennedy, Common Cause, and the Brookings Institution, with "conservatives" of the American Enterprise Institute and American Conservative Union — the latter staunch proponents of "deregulation" — is the "free enterprise" argument that unfettered competition will result in reduced costs to consumers (travellers and shippers) and greater efficiencies.

Airlines: Deregulation by Decree

In aviation, the Civil Aeronautics Board's Chairman Kahn has "deregulated" this past year by decree, without waiting for congressional authorization. For example, he has just granted airlines permission to lower fares by up to 70 percent and raise them by up to 10 percent without CAB approval — in probable violation of the Civil Aeronautics Act that established the CAB. Similarly, in the unfriendly takeover bid for National Airlines by Texas International, Kahn has permitted TXI to acquire up to 25 percent of National's stock, although the act forbids acquisition of more than 10 percent prior to official CAB approval of a projected merger or acquisition.

That attempted merger — subsequently thrown off course by a higher offer from Pan Am — is symptomatic of the conditions Kahn's actual deregulations, and the long-protracted uncertainties of legislation, have created. The proposed Pan Am-National merger, now under negotiation between the two firms, is especially illustrative of the issues