Dollar Dolors: Carter Bombs at Bonn

by Tad Szulc

If President Carter went to the July Bonn summit of heads of industrialized countries in order to instill world confidence in United States economic policies, then the most charitable thing that can be said about this effort is that he succeeded in misleading foreigners and Americans alike. The President's pledges on inflation and oil imports were instantly contradicted by American domestic reality, as well as by international reactions.

The joint Bonn declaration declared that "the President of the United States stated that reduced inflation is essential to maintaining a healthy United States economic policy," and that he listed anti-inflation measures being taken by his administration.

But within two weeks of Bonn, when the administration claimed that inflation in 1978 would not exceed 7.2 percent, the White House chief inflation-fighter, Robert Strauss, admitted that this was no longer attainable; he suggested that 9 percent would be a more likely figure.

Two days later, the Consumer Price Index showed that the cost of living for June had gone up 0.9 percent (the same as in April and May). If this rate is maintained—and Strauss himself recognized that it probably will be—inflation for this year will reach at least 10.8 percent, the feared "double-digit" territory.

Although Mr. Carter obviously cannot be personally blamed for what has already become runaway inflation by American standards, it remains incomprehensible how the administration could have made a *3.6 percent* error—nearly a 30 percent margin—over a three-week period. It was either trying to mislead its Bonn partners to produce a better summit declaration, a most short-sighted policy, or it was unable to understand domestic inflationary trends. It's hard to say which explanation is more hurtful to the President.

On oil, the Bonn declaration says that the United States will reduce its imports, and produce a comprehensive energy policy. The size of the American oil imports—nearly one-half of its consumption—has a destructive impact, not only on the United States balance of payments and on the value of the highly depreciated dollar: It is another built-in inflationary factor for the United States and the world at large.

But again, Mr. Carter made promises that he will be unable to keep. While the United States is now importing slightly less oil and the trade deficit is lower, the administration has not broken the back of the fuel problem. The ugly reality is that, without an import tax, which Congress is clearly unwilling to apply, oil imports would be reduced substantially only if the United States slid into a recession, with the concurrent drop in economic activity and demand. But this would be a terrible price to pay for American society to buy less petroleum. There is already plenty of recession talk, and the Carter administration clearly doesn't want to encourage it, especially since unemployment rose again in July.

Assurances of a "comprehensive policy framework" on energy by the year's end are equally delusory. Nobody on Capitol Hill seriously expects energy legislation before the November election, meaning there will be none until sometime in 1979—at best. Mr. Carter's continued inability to deal with Congress and the accumulation of vested interests in the energy situation—the wrangle over natural gas pricing stands as a case in point—are formidable obstacles in obtaining the kind of policy framework the President was promising in Bonn.

The inability of the United States to fulfill its Bonn commitment is certain to influence decision-making elsewhere in the world. West Germany and Japan, for example, have agreed—under tremendous American pressure—to take measures to stimulate their internal economies. Greater economic activity there would be beneficial to other Western countries as well as to the United States, from whom West Germany and Japan could buy more goods.

If the United States fails, however, to perform adequately on oil imports and inflation, Bonn and Tokyo may well conclude that they are no longer under the obligation to apply stimulative measures at home. The Germans have been fighting the American proposal all along because they feel that artificial stimulation would bring inflation; and now Mr. Carter may involuntarily give them an out.

Inevitably, the most realistic judgments are made in the marketplace and, in the wake of Bonn, these judgments have been catastrophic.

Prior to Bonn, for instance, the concern was that the value of the dollar might sink below the psychologically important barrier of 200 yen, which already represented a 25 percent loss in a year. But three weeks after the summit, the dollar was down to 185 and traders were talking of a further slump well below the 180 line, which is one half of the dollar value at the end of World War II. The dollar remained weak in Western Europe, while the price of gold soared again right after the summit, emphasizing the total lack of confidence in the dollar. At the start of August gold hit over $205 an ounce—nearly $25 above the level of a year ago, and the highest ever—and futures contracts for delivery reached $244 an ounce, another record price. This means that the world's money men are betting that the dollar will take an even worse beating in the coming year.

To complicate matters further, the oil-producing countries of the OPEC cartel have indicated that before long they may demand payments in a special "basket" of currency, instead of dollars. Such a basket would be made up of a mix of strong foreign currencies in addition to the dollar. Moreover, OPEC planned to raise the price of crude oil by 5 percent at the end of 1978—another inflationary surge.

As matters stand in autumn, the ball is squarely in Carter's court; he must—if he can—develop new policies to arrest international economic deterioration and remove the threat of rampant protectionism and trade wars. But thus far the Carter administration has not been able to get its domestic act together. It is entirely unclear who, if anyone, is in charge. There are disputes among Treasury Secretary W. Michael Blumenthal, Federal Reserve Chairman G. William Miller, Energy Secretary James R. Schlesinger, and anti-inflation czar Robert Strauss, covering a wide range of fiscal issues. The outlook is for more dissension and backbiting. The economic scene at home and overseas will tend to darken even more in 1979—and the West, including the United States, may have to face lower living standards unless Mr. Carter can find a way to stabilize the overall situation. ◉

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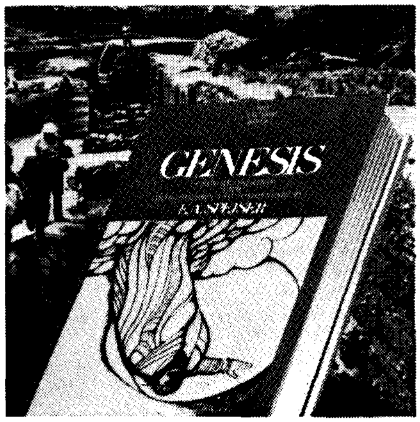

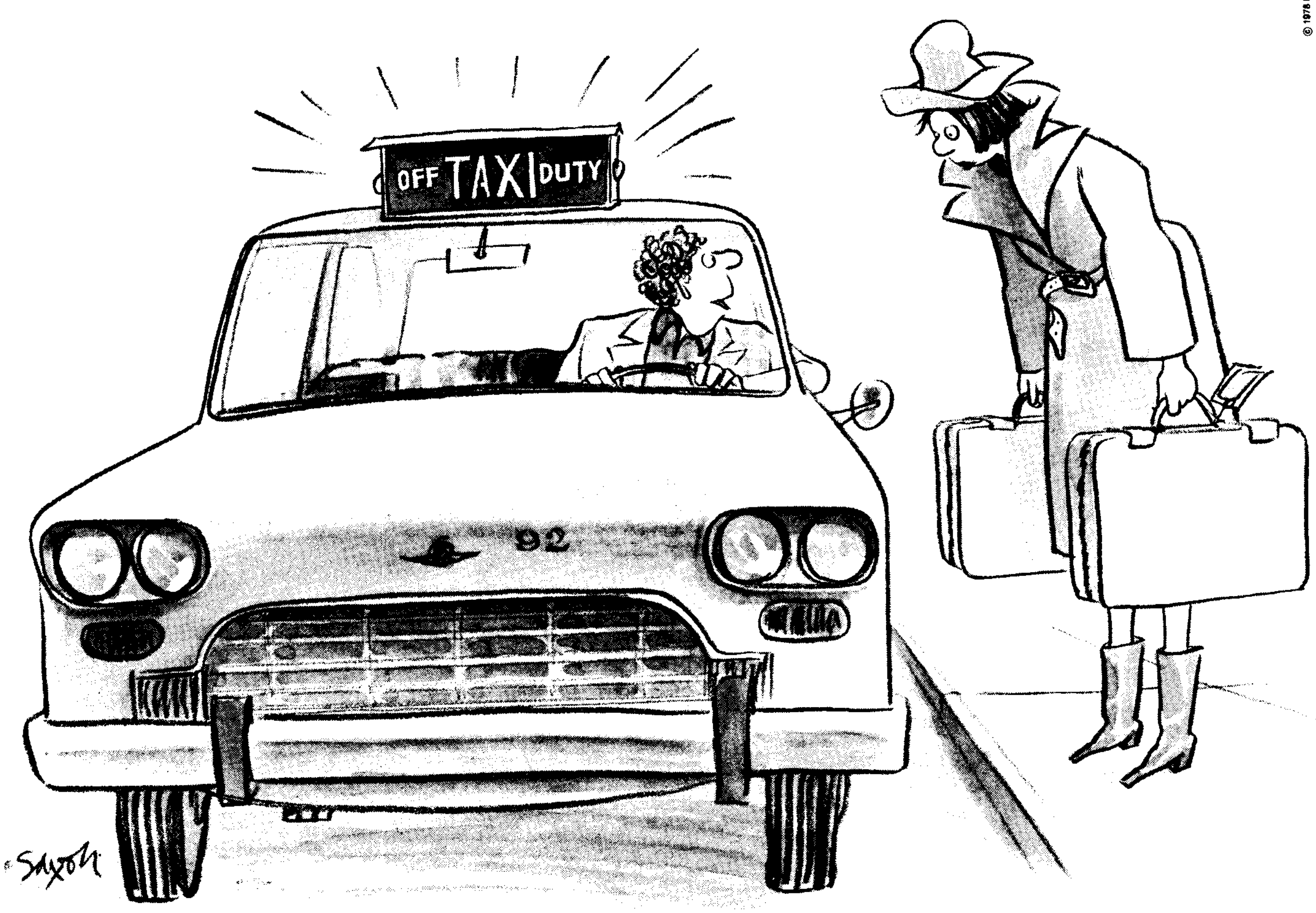

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Television's Trying Times

by Karl E. Meyer

AMERICAN TELEVISION'S time of trial is now upon us. In every section of the country, at every level in the courts, broadcasters have been brought before the bar, pitted against those who wish to punish and restrain a medium that has managed—for reasons good and bad—to provoke something close to a rebellion against programs that feature sex, violence, or anything "controversial."

As a consequence, it is happy hunting for lawyers. No charge against television seems too outlandish, given the medium's pervasive influence and special status as a federally licensed industry. A year ago, the networks were accused of turning a Florida youth into a murderer. After a Miami jury rejected the contention that Ronny Zamora, 15, was a victim of "involuntary television intoxication," his parents, at their lawyer's urging, promptly filed a $25 million damage suit against CBS-TV, NBC-TV, and ABC-TV charging that the networks were responsible for Zamora's conviction since he had been exposed to over 50,000 television murders.

Aggrieved plaintiffs have tried to strip television of the most basic First Amendment guarantees. For example, no doctrine is more sacrosanct than the prohibition of prior restraint, or prepublication censorship. Yet in a Los Angeles courtroom last June, an NBC lawyer was cited for contempt—and jailed for five hours—when he refused to allow a federal judge to preview a one-hour documentary drama called "Billion-Dollar Bubble." The program, based on an actual insurance swindle, was to be broadcast that evening; one of the convicted swindlers claimed that showing the fictionalized drama might hurt his chances for parole. On that tenuous basis, the court was being asked to enjoin the broadcast. Within hours, an appeals panel of three judges voided the contempt citation, freed the lawyer, and terminated the eccentric injunction proceedings.

Consider a second example, which is not so eccentric:

Arthur Buzz Hirsch, an independent film-maker, was ordered by a United States District Court in Oklahoma to produce all documents and tapes relating to a documentary that he was preparing. Hirsch had been investigating the untimely death of Karen Silkwood, an employee in a plutonium factory owned by the Kerr-McGee Corporation in Crescent, Oklahoma, and became concerned with the adequacy of the safety precautions in the nuclear plant—certainly a legitimate subject for inquiry.

Kerr-McGee, however, apparently felt otherwise. A subpoena was served on Hirsch by the company, and the producer was ordered to divulge his notes, correspondence, and other records pertaining to the Silkwood affair. Hirsch refused, invoking the First Amendment privilege that protects journalists from revealing their confidential sources. But the district court ruled that Hirsch was in fact a filmmaker, and not a newsman.

Five months later, on September 23, 1977, the ruling was reversed in a landmark decision handed down by a three-judge panel of the United States Court of Appeals for the 10th Circuit. Was Hirsch a bona fide journalist? The appellate court held that he was: "It strikes us as somewhat anomalous that the appellee would argue that he [Hirsch] is not a genuine reporter... implying a lack of ability, while at the same time they [Kerr-McGee] are making a major legal effort to get hold of his material. They must believe that it has promise for them in this lawsuit; otherwise, they would not be engaging in an effort of some magnitude in order to obtain Hirsch's work product."

TELEVISION reporters, producers, and network lawyers were jubilant with the *Silkwood* v. *Kerr-McGee* decision. It marked the first occasion in which a federal court had expressly extended the constitutional protection of sources to television. But within months, broadcasters were back on the legal barricades, contending with two formidable cases—*FCC* v. *Pacifica Foundation* and *Olivia Niemi* v. *NBC and Chronical Publishing*—in which the same argument was posed: that there is substantially less freedom on the air than in a playhouse or movie theater.

At issue in the *Pacifica* case was a comparatively straightforward question: Does the Federal Communications Commission have the right to prohibit the use of "offensive" words on radio broadcasts? In a 5 to 4 decision, the United States Supreme Court ruled in July that the First Amendment notwithstanding, the FCC can indeed censure and punish counter-culture stations that dare to broadcast the "seven dirty words."

The *Niemi* case is in every way more complex, so much so that it has been in the courts for four years, and may remain so through 1979. What is nominally an $11 million negligence suit against the National Broadcasting Company is in reality an argument over the power of television to influence human behavior. A San Francisco jury was to decide whether a phantom rape on television produced a real-life assault, but the law suit was dismissed on August 8, when a superior court judge ruled that it was necessary to prove that NBC intended viewers to imitate the sexual attack portrayed