Business Briefs

Banking

Fed, BIS move on international lending

The U.S. Federal Reserve is acting under the direction of the Swiss-based Bank for International Settlements to gain fingertip control over the international Eurodollar markets, with the objective of reducing international lending to the Third World.

The Fed is now preparing for the January institution in major U.S. cities of International Banking Facilities, which will allow reserve-free Eurodollar-style deposits in the U.S., and thus drain billions in international credit out of the world markets and back into the U.S. banking system. The first move will be made Oct. 1, when the major New York clearing banks led by David Rockefeller's Chase Manhattan, go onto a new payments system technically known as "same-day clearing."

"Same-day clearing" will mean that over $160 billion in daily payments made currently between international bankers in the U.S. and Europe, which are now being made the next day, will have to be paid up instantaneously, on the same day. This gives European bankers much less time to come up with the cash to pay their loans to American banks, and could cause a scramble for cash in the international markets.

The Fed and the BIS have worked out a plan under which foreign banks dealing in U.S. dollars will, in this situation, be forced to come to the U.S. Fed for the extra credits, and accept Fed Chairman Paul Volcker's high interest rates and conditions.

If this happens while the Volcker Fed continues to tighten credit here, the result could be a vortex that sucks most of the world dollar credit out of international markets and into the United States. This is precisely what has been called for by New York Fed President Anthony Solomon, who said that he wants to gain "more control" over international markets to "reduce international lending." That control, in turn, as IMF sources have repeatedly told *EIR*, is intended to force harsher austerity.

Transportation

Budget Act would cut Conrail pay raises

Conrail's 70,000 employees may defeat the proposal to accept a 12 percent wage cut in balloting now taking place.

The wage-cut package is contained in a section of the administration's Budget Reconciliation Act, passed Aug. 13, which, in addition to eliminating $200 million in already negotiated Conrail pay increases, will eliminate Title V of the 1973 Rail Reorganization Act which provides income guarantees to laid-off Conrail workers.

Local union leaders are angered that the Budget Act will not have been printed for another three weeks and there are rumors that the bill has not even been finally drafted even though Congress has passed it.

While operating employees and clerks are being asked to take wage cuts, Conrail's supervisory and management personnel were awarded 12 percent increases last week, another issue that might produce a rejection of the deferral proposal.

Even if the workers do reject the wage cut, it is unclear whether the Budget Act will still mandate the deferral. Union leaders also claim that the Budget Act is purported to stipulate that every ballot that is not received by Sept. 14 will be counted as an affirmative vote.

World Trade

Germany, Japan step up Soviet ties

Ruhr industry sources report that serious talks are presently going on between the Essen-based Ruhrkohle, Germany's national coal corporation, and the Soviet Union on several projects of development of new coal fields in the Soviet Union. The same sources indicate that coal gasification by means of high temperature nuclear reactors (HTRs) is part of one project under review. The political framework is apparent from the current visit of Gerhard Stoltenberg, the Christian Democratic Union (CDU) minister-president of Schleswig-Holstein and a key cross-party ally of Chancellor Schmidt, to the autumn industrial fair at Leipzig, East Germany.

In Tokyo, the Ministry for International Trade and Industry (MITI) has thrown its resources in the balance to secure a contract for delivery of 300,000 tons of steel plate to the Soviets, accepting the extremely favorable financial terms demanded by the Soviets: the credits opened by the Japanese will carry a 7.25 percent rate of interest, in open defiance of the OECD's prescriptions known as the export credit gentlemen's agreement.

Soviet Deputy Foreign Trade Minister Victor Ivanov is in Tokyo for talks on a $400 million loan from the Export-Import Bank of Japan for building a synthetic rubber plant in the U.S.S.R. Interest on the projected loan will reportedly be close to 8 percent.

Gold

A thousand dollars per ounce of bullion?

Anglo-American Corporation of South Africa has commissioned the printing of 100,000 copies of a report on the future of gold.

Not surprisingly the report, written by Horace W. Brock, a former senior member of Stanford Research Institute, claims that there is a "very definite possibility" that gold will soar to $1,000 an ounce sometime in the 1980s.

Reasons for gold's rosy future as given by Brock should remind readers of the strategic purposes of Anglo-American and its allied mineral cartel networks. Brock points to:

• A steady growth in the postindustrial economy, especially in electronics.

• Smaller central banks diversifying their holdings out of the dollar into gold.

• The growing wealth (i.e. the growing of opium) in the Far East "which should buoy up the free-world economies in the eighties."

• The increased turbulence, instability, and inflation in the world which move institutions and individuals to buy gold.

International Credit

Saudis may pull plug on France

French Treasury Secretary Jean-Yves Haberer came back empty-handed from a trip to Saudi Arabia Sept. 7. Heavily dependent on Saudi loans to help finance the foreign trade deficit, Haberer was sent by Socialist President François Mitterrand to borrow several billion dollars.

During the course of two meetings with Saudi Central Bank Governor Al Qouraishi, Haberer asked for $2 to $3 billion for the period ending May 1982, but was told that the most the Saudis could offer was the piddling sum of $750 million. Al Qouraishi reportedly spent most of his time during the meetings asking extensive questions about the nationalization program, which was passed later in the week. The Saudis are most concerned about the state takeover of defense industries, such as Dassault, and high-technology firms like Thomson CSF which has multibillion-dollar contracts in Saudi Arabia and Iraq.

There are further indications that the Saudis may be getting ready to pull the plug. Somewhere in the neighborhood of 1 billion francs in Arab capital has been pulled out of France for the period from Mitterrand's May election until August. In addition, Saudi participation in the recent bonds issued by the French government was down by about half its usual rate.

Domestic Credit

Nixon hands back at the White House

Former Treasury Secretary George Shultz and former Federal Reserve Chairman Arthur Burns, the men who destroyed the economic program and administration of President Richard Nixon, are back at the White House and have taken full control over the Reagan administration's budget-cutting program.

It was at a Sept. 10 meeting of the President's private-sector Economic Advisory Board, chaired by Shultz and Burns, that the administration's latest round of budget slashing was worked out, Washington sources say. Although the U.S. Congress has indicated it will balk at further substantial cuts in the fiscal 1982 budget, Burns and Shultz have been arguing for a firm White House stance, and the President has decided to follow their advice and ask for a new round of $15 billion in additional cuts for fiscal 1982.

In a cabinet meeting immediately following his session with Shultz and Burns, President Reagan announced the new cuts to his department officials and parceled out specific figures to each department of between $500 million and $4 billion in cuts demanded by the White House.

According to officials of the International Monetary Fund, Shultz and Burns are demanding that the President eventually make up to $30 billion in 1982 cuts, and another $60 billion in 1983-1984; fully half this huge sum, they further demand, must come directly out of America's defense programs.

Immediately following the meeting with Shultz and Burns, Burns's protégé Lawrence Kudlow, chief economist for the Office of Management and Budget, went on ABC-TV Sept. 10 to announce that the White House has rejected all criticism by Congress of the Fed's high interest rates, and is demanding Congress act instead to cut the U.S. budget sharply.

Briefly

● **A GOLD STUDY** has been commissioned at the Fed's International Division by Fed Governor Henry Wallich for the Presidential Gold Commission, Fed sources tell *EIR*. "We're being forced to take it very seriously," he said, "and we're studying all the details of whether or not, and how, to move to gold remonetization."

● **MARTIN ANDERSON,** domestic policy director for the White House, is reportedly leading a swing of White House centrists toward favoring a move to gold. "Anderson believes that the thing is snowballing, that the opposition to gold consists of a lot of hollow trees," sources say.

● **THE JOINT** Economic Committee of Congress is now scheduling hearings for late September on the Fed's high interest rates and how to bring them down, JEC sources say. JEC Chairman Henry Reuss intends to call for credit controls.

● **TIM MCNAMAR,** deputy Treasury secretary, is about to release a report calling for a total cutoff of new U.S. funding to the World Bank, Inter-American Development Bank, and other international development agencies. The report, by a Treasury Task Force on Multilateral Development Agencies headed by McNamar, could result in a sharp decrease in availability of credit to the Third World.

● **POLISH DEBT** negotiations have stalled in London, where the task force of international commercial banks announced this week it is postponing its next meeting until at least the end of September. Bankers report Poland is now several weeks behind in international payments. The postponement was reported to have been forced by the Polish government.