Business Briefs

International Trade

Bonn slated for Anglo-German cartel?

Germany must agree to cartelize its export markets with Britain, as a precondition for Britain's joining the European Monetary System, according to an economist at Morgan Grenfell bank in London.

The economist, who has intimate ties to the Royal Institute of International Affairs said Oct. 1 that Britain will stop Germany from selling German goods to British manufacturing and stealing British jobs.

London will emphasize to the Germans that it is one of the world's largest capital markets, and is self-sufficient in oil, but its industry is in a sorry state.

"The old sterling bloc of the Commonwealth created a situation of perfect financing of payments deficits between Britain and the raw materials sources. Now that the sterling block is dead, we can arrange a new perfect payments union with Europe," he explained.

The Morgan economist explained that he joined a Chatham House delegation to Bonn two years ago to propose this idea. "The Germans greeted us with dumb silence and shock." Bonn went on to keep Britain out of the EMS.

Domestic Credit

Volcker dismisses congressional powers

The Federal Reserve chairman, in a letter to the Senate Banking Committee made public Sept. 28, told the U.S. legislative branch that unless it immediately passes full banking deregulation he himself will impose it by fiat.

Volcker's letter stated, "In the absence of this legislation [allowing acquisition of ailing savings banks by bank holding companies] the board believes that the public interest may dictate that the Federal Reserve may soon need to use its existing broader statutory authority to approve bank holding company acquisition of thrifts on a case-by-case basis."

Volcker claimed that the Federal Reserve has statutory authority to approve acquisitions of thrift institutions by bank holding companies, though not by the banks themselves. This would favor those larger banks that have holding companies.

The 187-page report accompanying Volcker's letter argued that the benefits to the banks would include primarily the bypassing of state restrictions on branch banking, and federal restrictions on interstate banking, making clear that bank deregulation, not saving the S&Ls, was the primary motivation for the move. The report conceded that the financial soundness of a bank holding company and its subsidiary banks could very well be damaged, in fact, by acquiring S&Ls, given the depressed state of that industry.

Banking

Morgan Bank joins Polish Solidarists

The New York *Journal of Commerce*, the unofficial voice of Morgan Guaranty Trust, cited unnamed American sources within the Multinational Task Force of banks dealing with the Polish debt stating the American banks will demand a "market-oriented economy" of Poland.

According to the *Journal*, the American banks are pressing four demands, three of which are common to the Polish Solidarists; concentration on agriculture rather than industry, scrapping of industrial projects reliant on foreign resources, and greater autonomy for factory managers. The additional banking demand is for "steep increases in consumer prices."

"Western bankers want to see Polish officials and key groups in Poland—like the Solidarity Union and the Catholic Church—work together so that an economic plan could be adopted and work successfully." said the banker.

The *Journal* quotes the anonymous banker as saying if the Russians invade, U.S. bankers could take legal measures to seize Polish assets in the United States. Poland owes American banks less than 10 percent of its foreign debt.

Insurance

Giants to remain in insurance shakeout

In a speech delivered to the National Association of Mutual Insurance Companies, Bernard Daenzer of Daenzer Associates warned that with the industry suffering $6 billion in underwriting losses already in 1981, "the year 1982 has to be a bad year." There will be many companies, he said, "who will be mortally wounded and have to take drastic steps to unload portfolios at the most inopportune time."

Those that remain, however, will "have a very big pie to share. Although we will have the help of new European, Asian, and Middle East investors, all the new reinsurers, captives and new exchanges, it will be hard to handle the sheer volume available."

Once insurance companies have been jarred loose from traditional functions such as industrial and municipal lending, the small club of remaining companies can concentrate on such high profit items as malpractice insurance, which is eliminating independent doctors' practices, and product insurance, which covers consumer suits against producers.

U.S. Housing

OMB plan will hurt new home expansion

According to a spokesman at the Government National Mortgage Association (GNMA), which issues government securities against Federal Housing Administration-insured home mortgages, the reductions in guarantee levels proposed by the Office of Management and Budget will not only fail to save money, but will diminish the profits that GNMA returns to the government each year.

"Last year we returned $87 million in our total guarantee activity," he claimed. "If the government makes further cuts, it only means that if the conditions allow for a housing boom there will be no federal guarantees to make it work."

The OMB leaked to the press last month that it plans a $20 billion reduction in loan guarantees each year, with most of the cuts eroding GNMA's secondary market operations. The GNMA official said that press reports were the first he heard of the proposed cuts.

It is OMB policy to discourage lending for home mortgages to lighten "the government's impact on the financial markets."

The OMB proposals, which amount to a phase-out of agencies like GNMA, the Eximbank, the Farmers Home Administration, the Rural Electrification Administration, and eventually the Federal Housing Administration itself, may result in increased business for private insurers.

International Credit

Overseas Japanese lending trebles

A leading Japanese banker estimates that total overseas lending by Japan in the April 1980 to April 1981 Japanese fiscal year will prove to have risen to $30 billion, perhaps triple the estimated lending rate during 1980.

"Japanese banks are being very aggressive in lending to developing countries," the banker stated. "If [Treasury Secretary Donald] Regan's sought-for cutbacks in lending by multinational institutions occurs, then the Japanese banks will probably adjust to it by increasing their lending to the developing countries in cooperation with European and American private banks."

This represents a return to the policy of the Fukuda administration of 1976-78, interrupted by the austerity policies of Ohira, an ally of former U.S. Secretary of State Henry Kissinger.

Major moves include a $3.4 billion syndicated loan to Mexico's industrialization program, which is expected to be supplemented by additional export credits from Mexico. The new credits could be very large if Mitsubishi Heavy Industries becomes the successful bidder for a pair of 1-gigawatt nuclear reactors for Mexico; this would be the first instance of Japanese nuclear export.

Most of the enhanced Japanese overseas lending is based on an inflow and recycling of OPEC funds.

Population Strategy

Canada's foreign minister upholds Peking model

Mark McGuigan, Canadian foreign minister, told a eporter Oct. 2 that "There cannot be a solution to any problem in the world without population control." "China," he said, "is one of the most advanced countries in terms of population control. China makes it a point to have heavy economic and othe disincentives if you have more than one child."

Transportation

Largest air freight firm cuts 27 percent

The Flying Tiger Line, which carries 30 percent of the nation's air freight, has announced that it chopped more than a quarter of its domestic flights as of the first of October.

Russ Emerson, senior vice-president for scheduled services, blamed a slumping economy and the effects of the continuing air traffic controllers' strike.

The Tiger Line's reduction indicates that air freight will be diminished in proportion to the permanent 25 percent reduction of airline passenger service, preplanned by the industry, blamed on the strike.

Tiger-Lines, however, will increase its London-centered European flights.

Briefly

- **ALLIED-GENERAL** Nuclear Service Corporation, which operated the spent nuclear fuel reprocessing plant in Barnwell, South Carolina until it was closed by Jimmy Carter in 1976, will get international help in reopening the plant. Japanese sources report that the White House has asked Japan, West Germany and Great Britain for over $1 billion in financing to produce at maximum capacity, or enough fuel for 62 one-gigawatt light water nuclear reactors. The Reagan administration says it will export fuel to Taiwan and South Korea.

- **BARCLAYS BANK,** in its latest financial survey, predicts that U.S. and U.K. interest rates will decline next year, but adds: "Until the precipitate fall in sterling is firmly arrested, any other consideration regarding interest rates will be subordinate. The National Westminister economic outlook is that British interest-rate policy makes it less likely that the U.K. will join the European Monetary System.

- **ELIZABETH BAILEY,** a member of the Civilian Aeronautics Board, has issued a "preliminary final" report asking for the end of all collection and reporting of airline carrier financial data. All statistical data on passenger and freight transportation on airline segments will also be eliminated. Challengers to air rates will no longer be able to use CAB figures to argue for rate adjustments.

- **PAUL VOLCKER** ran into our European Economics Editor, Laurent Murawiec, at the IMF conference several times. On Sept. 29, as soon as *EIR* founder Lyndon LaRouche was mentioned, Volcker retorted: "You haven't impeached me yet." He turned away, then came back. "Where do you people get your money?" Murawiec: "From people who hate you."