Business Briefs

Energy

Mideast war threat behind Mobil super-bid?

The Nov. 24 announcement by Mobil Oil that the "Seven Sisters" oil company had raised its bid for Marathon Oil from $82 to $126 per share, or to $6.5 billion, coincides ominously with warnings by Saudi Arabia's Sheikh Yamani of a "new oil shock" earlier this week.

Mobil rejoined the bidding war over Marathon, whose largest stockholder is Dope, Inc. figure Max Fisher, following a "friendly" takeover offer by U.S. Steel, which had bid $125 per share. Mobil obtained an injunction in federal court against stockholders acting upon the U.S. Steel offer Tuesday, on technical grounds, and then came in with a slightly higher offer.

Most significant in the merger—apart from the fact that Fisher and his friends would come away several hundred million dollars richer—is that Marathon's principal reserves are in Texas and the North Sea, with little in the Mideast.

The two big corporations' willingness to pay so much for a smaller oil company in the context of a continued worldwide production glut, and imminent further collapse of oil demand due to world depression, indicates that they expect a cutoff of supplies from the Mideast, and will pay a huge premium to develop on-shore supplies here.

Transportation

Soviets attack British shipping cartel

Soviet Minister of Merchant Shipping Timofei Guzhenko issued an attack on the "aggressive behavior of Western shipowners" and claimed that the intense rate-cutting by Western shipping interests has damaged world shipping and reduced Soviet and East-bloc shipping to bilateral trade.

Other "Soviet sources" quoted by Morgan Guaranty's *Journal of Commerce* recently have accused Western shipping interests of rate-cutting "to regain control over primary sources of raw materials in the Third World."

The British who control most world shipping through vastly complex corporate structures have promoted cargo quotas, "leveling taxes" and other commercial and political containment operations to keep the Soviets out of the Baltic, North Atlantic and Pacific.

If allowed to freely compete, Soviet roll-on, roll-off ships would gain a small but secure portion of world liner traffic.

Post-Industrialism

Center's odd economists counter Reaganomics

The Center for Democratic Policy, the public policy research organization inspired by Cyrus Vance to develop Democratic Party alternatives to Reagan administration policy, is drawing on the advice of an interesting group.

Recent recommendations to the center urging vast increases in U.S. productivity have come from MIT economist Lester Thurow, consultant Arnold Packer, and former New York gubernatorial hopeful Howard J. Samuels.

Samuels's most notable economic contribution involved legalizing gambling in New York State, especially the establishment of the Off-Track Betting Corporation, which he headed. Packer is a top consultant to Control Data Corporation, where the primary economic focus is on technological and educational gimmicks designed to train illiterate portions of populations in the U.S. and abroad to perform robot-like functions in "sunrise" industries like electronic component assembly. Thurow shares this commitment to the "sunrise" sectors, recommending the natural death of U.S. heavy industry. Thurow, like Samuels, bases his economic tenets on gambling, concluding in his recent best-seller *Zero Sum Society* that the fundamental dynamic in the economy is that you win some and then you lose some.

Trade

Slow exports threaten West German recovery

New and more pessimistic estimates of West Germany's trade prospects for 1982 have brought Germany's expected economic recovery into question. Government and private forecasts have put expected growth for next year at 1 to 2 percent, based on expected rising exports. The recovery perspective included a projected halving of this year's current account deficit from the present DM 25 billion level. However, the West German daily *Handelsblatt* commented Nov. 25, "There is no reason for euphoria; no one is really sure that next year's deficit will really be lower than this year's." The same point has been made by spokesmen of the opposition Christian Democratic Union.

An additional weight bearing on the 1982 balance of payments is the German repayment obligations on some DM 34 billion in debt assumed during 1981. Repayment during the next few years will be in the order of DM 5 to 6 billion per year.

Gold

LaRouche reserve program presented in Washington

Executive Intelligence Review conducted a Nov. 24 seminar in Washington, D.C. on *EIR* founder Lyndon H. LaRouche Jr.'s program for a gold-reserve system to create credit for world industrial growth.

National Democratic Policy Committee representative Anthony Papert contrasted the LaRouche proposal for a gold-reserve system with that of Lewis Lehrman and *Wall Street Journal* contributor Jude Wanniski for a British-style gold standard. Using gold as a reserve asset would enable countries to expand credit for industrial and agricultural growth as Hamilton and Washington did to honor the national debt, whereas the British gold standard is a deflationary tool to curb industry, he said.

Papert emphasized that LaRouche demands that the Federal Reserve Board be abolished and gold-based credit creation be effected by the Treasury.

EIR Economics Editor David Goldman told the 60 foreign-embassy and U.S. government officials that America is being bankrupted today just as Spain was bankrupted by the Hapsburgs in the 16th century. The cause of America's problems is the offshore money operators who make demands on the U.S. economy without investing in it. The gold reserve system is the only way America can preserve itself and build projects like the Oak Ridge style nuplex development program for Egypt, on the drawing boards in the late 1960s.

Electronics

U.S. computer hardware production soft

The buoyant market for U.S. mainframe computer manufacturers has turned suddenly soft this year with computer companies reporting a mere 1 percent annual rate increase in production employment through the first nine months. For the years 1977-80, employment increases averaged 14 percent per year.

The industry has blamed high interest rates and the high value of the dollar for its sluggish export sales, but analysts believe the core problem lies in providing adequate software to make use of the computer machinery.

Software costs, only a fraction of computer-related expenses in the first two decades of the industry, are now more than double the outlays for equipment. Companies plagued by breakdown of their often patched programs have remained unwilling to invest in new systems.

The one bright spot in the industry outlook is for small computers valued at under $10,000 per unit. Worldwide 1981 sales are expected to be nearly 800,000 units, up from 350,000 units in 1979.

Monetary Policy

BIS plan to come up at European summit

Bank for International Settlements outgoing President Jelle Zijlstra, the former President of the Dutch central bank, offered a plan during the last International Monetary Fund annual meeting in October which *EIR* characterized as the one serious crisis-preparation discussed during that affair.

According to European press reports, the French Finance Minister Jacques Delors is now trying to persuade his European colleagues to make it a priority agenda item at the upcoming summit meeting of European heads of state.

Delors said that France will press for "strengthening of the European Monetary System," the fixed-rate currency group founded by French President Giscard and West German Chancellor Schmidt in July 1978. In Mitterrand's political jargon, strengthening the EMS translates into creating a European currency bloc in a protectionist move against the U.S. dollar.

In addition, Delors is now reportedly arguing that the European bloc and the United States should create a zone of fluctuation for the dollar against the international parities of European currencies, which the Europeans would help to maintain. That is close to the Zijlstra plan, which argued that central banks must move towards managed exchange rates in place of the present system of floating rates.

Zijlstra's argument was based on a scathing critique of the Federal Reserve's ability to manage the U.S. monetary situation. He argued instead that central banks must get together to control the rate of domestic credit creation through direct enforcement, and manage both exchange rates and the gold price.

Briefly

● **HENRY WALLICH,** who attends the monthly Bank for International Settlements meetings on behalf of the Federal Reserve, said in a Nov. 21 speech, "The simple arrogance of saying that the gold standard is ridiculous and not worth talking about is not supported by any superior performance of alternative methods of regulating our monetary affairs." Only by arguing from "the assumption that in the future we can handle our affairs better than we have in the past," Wallich said, can the gold standard be opposed. He concluded that U.S. gold should be kept in reserve because gold would not be pushed out of the monetary system.

● **COMMODITY PRICES** have taken a sharp downturn from their July-August levels. The most dramatic decreases have been copper, down 20 percent; corn down 25 percent; cotton down 20 percent; silver fallen by 30 percent; sugar off a third; and soybeans down 18 percent. The price plunge, created by international commodity traders who control the world commodity exchanges, is aimed at depriving underdeveloped countries of vital revenues.

● **DREW LEWIS,** U.S. Secretary of Transportation told the Commuter Airline Association of America that interest on the federal debt will top $100 billion in the 1982 fiscal year, which ends next Sept. 30. *EIR* estimates interest payment will exceed $119 billion.

● **EDWARD I. KOCH,** who campaigned successfully for a second mayoral term as the man who turned the corner on New York's finances has suddenly discovered that the city is facing its worst crisis since 1976. Before the election, Koch claimed a $100 million budget surplus, and promised the rehiring of 2,300 patrolmen, 450 sanitation men, 440 teachers, and 375 firefighters. Koch now says there is a $1 billion budget gap.