# Business Briefs

*Energy*

## McClure tries to restrain Stockman on DOE

According to reliable Capitol Hill sources, Senate Energy Committee Chairman James McClure (R-Id.) has sent a letter to President Reagan urging him to restrain Office of Management and Budget head David Stockman from de facto abolishing the Department before Congress even gets a chance to deliberate on the final proposal from the White House to dismantle that agency.

One congressional source reports that the OMB intends to submit to Congress its funding budget for FY83 with no DOE. This would mean that programs such as the Clinch River Breeder Reactor or other items would be buried in the budgets of Commerce, Interior or eliminated altogether.

On Dec. 17, the President announced his intent to submit a specific legislative proposal to Congress to fulfill his campaign pledge to abolish the cabinet-level agency. A final proposal specifying exactly the administration proposal has yet to be submitted to Congress for study.

*Trade and Investment*

## West German export surge shown for 1981

In spite of a generalized slump in world trade last year, the fact that West Germany emerged with a huge trade surplus of 26.5 billion marks for the year is striking example of fundamental economic realities asserting themselves, whatever monetary manipulations are being played.

The German trade surplus, three times as large as the 1980 figures, was based on a 13 percent growth of exports, spearheaded by a more than 50 percent increase of deliveries to OPEC, a more than 17 percent increase of exports to the U.S. and, in striking testimony of West German policies of developing the Third World, a 22 percent increase of exports to non-oil developing countries.

The trade surplus was obtained against a huge DM 370 billion energy-import bill, with oil prices increasing by one-third from January to October. The current-account balance, which measures the combined trade and financial flows, was only in a 20 billion mark deficit as compared to 1980's 30 billion, and is expected to sink further to 10 billion this year. The situation in 1982 is nevertheless far from acceptable. Unemployment is expected to exceed 1.5 million early this year, while a severe shortage in investment will do nothing to alleviate the mass layoffs and bankruptcies hitting particularly the construction industry, which is "in its worst crisis since the war," the branch organization reports.

Corporate profit margins, cut by 10 percent in 1980, sank by a combined two-year 25 percent, mainly as a result of the very high interest rates maintained by the Bundesbank. The strong flow of foreign orders to West German corporations may not be able to offset the slump in domestic orders, itself badly aggravated by the "investment freeze" enforced by environmentalist sabotage. German experts put the amount of such investment at no less than DM 100 billion, as *EIR* will elaborate next week in a report from our Bonn bureau.

*Industrial Strategy*

## Japan to propose $500 billion development plan

The Japanese government intends to propose to the United States and Europe that the advanced sector cooperate on a $500 billion, 20-year global development plan. According to Jiji press service, during the planned mid-January trade meeting among the three sectors, Tokyo will propose carrying out the "Global Infrastructure Plan" developed by Mitsubishi Research Corporation during 1978 and presented by then-Prime Minister Takeo Fukuda. The plan emphasizes agriculture and energy infrastructure. In making the announcement, former Keidanren (business federation) chief Toshio Doko stressed that the proposal in the view of the Suzuki government is the alternative to building up Japan and other countries' armaments.

The plan proposes a $13 billion annual fund to be provided by the advanced countries and OPEC, which would produce directly and indirectly a $25 billion annual boost in global infrastructural investment and production. The proposal focuses on such plans as greening of the Sahara, Sinai, and Arabian deserts; creating a giant African lake in the Congo and Chad to improve agricultural potential; constructing new canals across Nicaragua and Thailand to shorten and cheapen sea transport; and launching vast energy projects such as Himalayan hydroelectric projects and specific sea-current energy projects. It also includes more dubious ideas, such as giant solar heat collectors. Over the years the program would invest $500 billion.

Mitsubishi Research noted that Keynesian economics had failed, and that it was World War II which actually ended the 1930s depression; but the world could not survive another war. Mitsubishi also insisted that the plan be implemented outside the aegis of the IMF and World Bank.

*Domestic Credit*

## The numbers don't add up

As a result of Fed Chairman Paul Volcker's determination to continue tightening credit even as America falls into deep recession, Federal economists are predicting "highly unstable markets" and "possible massive failures of savings and loans" during early 1982.

The basic reason is that Fed Chairman Volcker "won't give an inch" and intends to keep tightening credit "no matter what happens to the rest of government policy," Fed economist Dale Henderson told *EIR*. "If the Fed stays tight, and Reagan refuses to raise taxes, and Congress refuses to cut spending, then we'll have a $100 billion budget deficit and highly unstable financial markets," he stated.

According to a top economist in Stockman's OMB, the President's budgetary options have been almost totally circumscribed by Volcker; and there will be economic crisis. "Most technicians here in Washington believe that unless something gives, interest rates are headed up through the ceiling very soon, past their 1982 high of 21.5 percent," the OMB official stated. "But I don't see either Volcker or the administration giving in."

"If interest rates do rise a third time, I foresee major small-business bankruptcies ahead," he continued. "Bankruptcies will accelerate across the board. If rates rise very fast, there will be massive failures of savings and loans. Unemployment may rise far above predictions, and could hit 10 percent. I'm pessimistic.

*Currency Policy*

## Argentina devalues its way to the IMF

Argentina's new government is preparing to request a standby credit from the International Monetary Fund. On Dec. 28, the new Finance Minister, Roberto Alemann, announced the elimination of the two-tier exchange system through which the government has shielded the peso used in international trade from the wild speculative ups and downs of the "financial" or free market peso. The effect was that the trade peso lost 42.8 percent of its value against the dollar during the first week of free float. Having begun 1981 at under 2,000 to the dollar, it began 1982 at over 10,000.

It is now obvious that the peso has become seriously undervalued. This is true even after Argentina's 120 percent inflation during 1981 and the peso's overvaluation by up to 50 percent at the beginning of 1981 are taken into account. The overvaluation came from then Finance Minister José Martínez de Hoz's crazy policy of subsidizing speculators who were playing the peso arbitrage market. Alemann's undervaluation policy is designed to facilitate selling off ownership of Argentina's natural resources and enterprises, to international speculators at a dime on the dollar.

The state-owned telephone company, ENTEL, is at the top of the list.

*International Credit*

## Soviets squeezed out of Eurodollar market

Using events in Poland as a pretext, French, British and American banks have drastically reduced lending to Soviet bloc nations as well as to the Soviet Union itself. In the last four months of 1981, total Eurodollar lending to East bloc nations totaled a mere $170 million, considerably below the level of the year before. Numerous loans have been cancelled, the largest being an $80 million credit scheduled for Romania.

According to one British banker, Western commercial banks are demanding that the Soviets pay an interest rate one full point above the London Interbank Borrowing Rate (LIBOR), while such countries as Malaysia can borrow at three-eighths of a percent above LIBOR. "The Soviets would fight like hell to avoid borrowing at an embarrassing margin," the banker told the *New York Times*.

While Eurodollar lenders are demanding a high premium for Eurodollar credits, possibly to force the Soviets to sell large amounts of gold, which would further depress the gold price, they admit that the U.S.S.R.'s need for credits to be used as foreign exchange is rising, since the Soviets are assisting the Polish economy substantially.

## *Briefly*

● **JACQUES**
Belgian Economics Minister, is promoting an expansion of the European Monetary System to include Britain. The plan would mean British leadership of the EMS, and top-down enforcement in all member nations of British-style monetarist austerity. M. Ypersele in a recent London speech called not only for immediate British membership in the EMS, but for the creation of a "permanent board" of EMS officials which would begin to set European-wide monetary policy.

● **SOVIET GOLD** sales have been extensive recently, but *EIR* doesn't believe rumors in the financial press that this is causing any great weakness in the price of gold. Soviet sales rose in 1981 to some 200 metric tons, most of it in the last quarter of the year, up from 90 tons during 1980, David Potts of Consolidated Goldfields in London estimates. However, most of the Soviet sales have been made off the open market, to Tokyo gold dealers anxious to expand Japanese gold stocks, *EIR* believes.

● **C. TODD CONOVER** was confirmed by the Senate as Comptroller of the Currency in late December, the Treasury office responsible for regulation of the nation's banking system. Mr. Conover told the Senate as expected that he supports full British-style banking deregulation, including allowing large banks to go national, and to buy up savings and loans.

● **HELMUT SCHMIDT** faces growing domestic outcry not so much against nuclear weapons, but against the threat of economic depression, Germany watchers say. "People are marching in the streets of Germany against recession and the threat of mass unemployment," said Dr. Thomas Hughes, President of the Carnegie Endowment. "That's why Schmidt is warning President Reagan against looming world depression."