Business Briefs

Energy Policy

Korea told to slow nuclear program

The World Bank has advised South Korea's Ministry of Energy and Resources to carefully review the present long-term energy development program in which the bank said too much emphasis is given on nuclear energy.

In a newly published report on Korea, the International Bank for Reconstruction and Development (IBRD) said the relative cost figures on which the Korea Electric Power Corporation and the government are now relying do not seem "robust" enough to justifying the degree of reliance on nuclear plants.

KEPCO's figure on electricity demand and on relative generating costs should be reviewed "carefully" and the ministry should also seek further "expert advice" on whether nuclear generation is being given too large a role in the system in comparison with coal, according to the Aug. 18 *Korean Herald*.

Despite such advice from the World Bank, the Ministry of Energy and Resources is reported to be determined to push ahead with its long-term power generating plan in which heavy emphasis is on nuclear power energy because nuclear-generating costs are cheaper.

U.K. Economy

British joblessness at record high

British unemployment reached record levels as of Aug. 1, even by depressed British standards. According to the latest official figures, *over one out of every eight* members of the workforce is now unemployed, for a total of 3.26 million unemployed or 13.8 percent of the workforce.

The doctored figures released by the government are admittedly "conservative." For example, the London *Financial Times* cites the fact that over a half million youth do not show up on the unemployment rolls because the government packed them off into special "training programs" lasting a few months—with no jobs awaiting them when the programs are over.

The *rate* of unemployment increase, in particular, is astounding. Between the second and third quarters of this year, the rate of increase was twice that of the increase between the previous two quarters. The confederation of British Industries for the past two weeks has been demanding that the government ease up on its austerity program or face the threat of rapidly spiraling collapse. Labour Party members have now been joined by increasingly vociferous Tory "wets" calling for some government aid for job creation.

Trade Policy

IMF deplores increased protectionism worldwide

A division of the International Monetary Fund (IMF) which keeps close tabs on the economic policy measures of member governments has just issued a report criticizing the increased protectionism and efforts to protect domestic industries which have accompanied the growing world depression.

The Exchange and Trade Relations Department of the IMF, where some of the most important decisions by the supranational agency are formulated, reports that for the first time since 1975, world trade grew more slowly than the rate of growth of simple output. The report notes that "the stagnant trade environment has led to increased calls" in numerous nations "for government intervention in support of domestic industries."

The report also notes, "some countries have resorted to capital controls with a view to obtaining a measure of independence for domestic financial policies." Such measures, to the extent they have been undertaken, have protected some countries from devaluations of their currencies, or what the IMF describes as "exchange rate levels not fully consistent with sustainable balance of payments positions."

It is the IMF's goal to abort such defensive measures, particularly in those cases where protectionism has allowed countries to work up alternatives to imposing the austerity policies the IMF is committed to enforcing. One of the chief policies the IMF has been encouraging is broadscale devaluations. During the one-year period under review in this report, the IMF notes that about 25 countries devalued their currencies by widely diverging margins.

Monetary Policy

Fed pumping: alternative to massive debt write-offs

The move by the U.S. Federal Reserve Bank to pump billions of dollars into U.S. commercial banks' reserves was the only alternative to "substantial write-offs" of bad loans, according to a high-level New York banking source.

Martin Schubert, president of the largest privately owned U.S. Commercial bank, Rosenthal Ltd., indicated in an interview that bank examiners have known for months that U.S. banks are carrying a heavy load of loans which will never be repaid. "Because the examiners are taking an easier attitude on write-offs," namely, neglecting to put the afflicted lending institutions through appropriate debt write-off proceedings, "it was time for the Fed to take an easier attitude," he stated.

"If traditional criteria" for write-offs were now being applied, Schubert underlined, "quite substantial write-offs would be under way."

Asked what considerations led the Fed to take this course, he said a combination of domestic and international "shocks" to the banking system, including Mexico's declaration of default, made the money-pumping approach the most agreeable.

Schubert also notes that one of the least sound pressure points in the international banking system is the offshore banks of major international banks. He predicted that at the upcoming meeting of the International Monetary Fund, to be held in September in Toronto, Canada, the IMF governors will strike a tough agreement on "support" of offshore subsidiaries. He reported the offshore issue will be hammered out in private, sideline meetings. Nevertheless, this is highly unusual, since until now, the IMF has had no jurisdiction over offshore banks. Rather, it has been the Bank for International Settlements in Switzerland which has been the watch-dog agency on this question. Schubert's assertion provides another case of IMF/BIS coordination from the top, outside of the powers of regulatory agencies of responsible governments.

Conference Report

EIR editors address NDPC steel conference

Executive Intelligence Review editors addressed a National Democratic Policy Committee conference on the steel industry crisis Aug. 26 in Pennsylvania's "steel valley" near Pittsburgh. Sponsored by the largest of the Democratic Party political action committees, whose advisory board is chaired by *EIR* founder Lyndon H. Larouche, Jr., the conference warned that the present crisis will mean the permanent reduction of the size of the U.S. steel industry by half and permanent reduction of steel employment by 60 percent.

Panelists David Goldman and Richard Freeman of the *EIR* economics staff used LaRouche-Riemann economic model predictions to demonstrate that the crisis would be permanent. In later panels, Asia Editor Daniel Sneider and physicist Dr. Steven Bardwell presented results of a global study of development requirements that showed the U.S. must double its steel capacity to meet the identifiable needs of the world economy.

Pittsburgh's NBC-affiliate television station, reporting the Commerce Department's announcement the same day of new trade sanctions against Western Europe, featured the steel conference in its 6:00 p.m. news broadcast. After panning over unemployment lines in the steel valley, the NBC broadcast cited "one group that believes that all of this is unnecessary, and that the depression is deliberately contrived." The NBC feature included an interview with *EIR* Economics Editor Goldman, who attacked the "Harriman wing of the Democratic Party," which wants to "de-industrialize the United States and let the steel industry go the way of the American buffalo."

In an evening panel, Fusion Energy Foundation Executive Director Paul Gallagher presented the results of a computer-based study demonstrating that infrastructure investments are the basis of productivity. Gallagher proposed that water and nuclear power construction were the key to renewed U.S. industrial productivity, requiring expansion, not reduction, of steel capacity.

Mexico versus the IMF

Monetarists demand state-sector dismantling

José María Basagoiti and Manuel Clouthier, two prominent Mexican business figures who have enthusiastically supported an IMF takeover of the country, emerged from a meeting with President López Portillo Aug. 25 to demand that the government sell off its state sector industry. These industries "have been a burden on Mexico, and have brought it to ruin," they charged.

The day before Basagoiti had called for "preserving jobs," to great press fanfare, adding that the only way to preserve these jobs is for all workers to accept severe wage cuts. Basagoiti heads the Mexican Employers Confederation, and Clouthier, the Businessman's Coordinating Council. Both groups have heavy overlap with the neo-fascist PAN party and with the anti-industrial Miguel Alemán/Bank of Mexico crowd.

Fidel Velásquez, head of the Mexican Workers Confederation (CTM), responded to Basagoiti by saying that there can be no trade-off between jobs and wages: neither can be sacrificed. He indicated, however, that labor will not call for immediate strikes to enforce wage increases, preferring to give direct labor-management negotiations a chance. Speaking of this as a "friendly, conciliatory" strategy, Mexico's labor chief made it clear he wanted to avoid precipitate action that would feed IMF destabilization plans.

In a statement Aug. 24, Velásquez's number-two man, Blas Chumacero, blasted Mexico Finance Minister Silva Herzog as a "monetarist" who was undermining the country's interests by going to the IMF.

Briefly

● **WEST GERMANY,** Switzerland, and the Netherlands jointly cut their central-bank lending rates Aug. 26, following the trend of American rates down. However, the liquidity-crisis-induced demand for dollars has narrowed the spread between the U.S. and European currencies temporarily.

● **A $25 BILLION** bailout fund will be offered to the International Monetary Fund's Interim Committee Sept. 3, according to press reports, corroborating reports *EIR* earlier obtained from administration officials.

● **SIR GEOFFREY HOWE,** Britain's Chancellor of the Exchequer, announced Aug. 26 he will not take measures to lift sanctions against Argentina, as British bankers had wanted; Howe's intransigence increases the possibility of a unilateral Argentine debt moratorium.

● **GEORGE SHULTZ** is on the Board of Directors of the Institute for International Economics, a "private" think tank run by former Kissinger aides (and Carter administration officials) C. Fred Bergsten and Richard Cooper, along with a number of international figures who share responsibility for the direction of the international economy over recent years. The Secretary of State shares his IIE affiliation with radical environmentalist leader Lester Brown of the Worldwatch Institute, anti-nuclear advocate Joseph Nye, and Carter administration radical Andrew Young. The Institute's first White Paper, just released, amounts to a strong criticism of the Reagan administration's policy toward the International Monetary Fund.

● **WALL STREET** has accomplished something *EIR* thought impossible: to make Swiss bankers laugh. "It's funny," quipped a senior official of the Swiss National Bank. "Until a couple of months ago, the smart money was buying. Now the stupid money is buying from the smart money."