Business Briefs

Economic Policy

EIR outlines 'new industrial revolution'

At the Fusion Energy Foundation-sponsored conference on the implications of President Reagan's proposed beam-weapons development policy held in Washington, D.C. April 13, *EIR* founder Lyndon LaRouche and economics editor David Goldman developed in depth how this program would unleash "the greatest industrial revolution in history."

LaRouche emphasized that the United States should spend $1 trillion on the beam weapons development and associated programs in the remaining years of this decade. Rebuilding "will start slowly—look at 1939 as a point of reference. . . . Our economy is rotten and decayed. [But] it won't cost the American economy a penny."

David Goldman described the new technologies already available, including a device about the size of a minicomputer which can produce 1 ton of steel per day. But with the present U.S. economy in a state of thermodynamic death, he said, no recovery is possible unless we change our investment policy. "What we are proposing is a $1 trillion defense budget for research and development, with which we could tear out the guts of old capacity and install new technologies."

International Finance

Bretton Woods was Nazi finance plan

The Banker, the exclusive banking journal of the City of London, featured a review of the 1944 Bretton Woods agreement in its April 1983 issue. In "How Strong is the Case for a New Bretton Woods?" Paul Bareau writes that a new Bretton Woods agreement is desirable, and then discussed the its pedigree. "It may surprise most people today to learn that the genesis of the thinking that led to the Bretton Woods agreements lay with Germany. It was in July 1940, after the German armies' drive to the Channel, that the German Minister for Economic Affairs and President of the Reichsbank, Dr. Walther Funk, outlined a plan for the reconstruction of the European economy. The methods of bilateral trade relations would be developed into a multilateral system. Money would be of secondary importance; the management of trade and the economy must come first. Berlin would be the clearing center and replace London as the world's, or at least Europe's, financial capital."

London could not let this challenge go unanswered. "In November . . . 1940, the Ministry of Information in London, . . . [asked John Maynard] Keynes, to discredit the German propaganda. But "Keynes' response was decidedly cool," as it turned out, because he actually liked the plan of Nazi Economics Minister Funk.
done, Keynes mooted, is 'for Great Britain to offer the same as what Dr. Funk offers, except that we shall do it better and more honestly.' By happy coincidence, parallel constructive imagination was to be set at work later in Washington and Ottawa," and in 1944 became the Bretton Woods post-war monetary order, establishing the International Monetary Fund, the World Bank, and the General Agreement on Tarifs and Trade (GATT).

Canada

Economy 'performing well,' says Trudeau

Canadian Prime Minister Pierre Trudeau defended his government against critics in the nation's House of Commons by declaring that despite an increase in the official unemployment rate and a sharp decline in productivity, the Canadian economy is "performing well."

Trudeau explained that the problem was that although the number of jobs had increased, the number of workers looking for jobs had increased faster. "I wish the young people would look at the reality of these statistics rather than at the gloom forecast by the opposition," he said.

The government announced that unemployment was 12.6
seasonally adjusted, up from January's 12.5 percent. Non-seasonally adjusted (the actual counted number) was 13.9 percent or more than 1.7 million persons. If the numbers of hidden unemployed, the 335,000 workers no longer looking for work because they cannot find any, are added, unemployment is over two million. The more than 17 percent rate of nation joblessness is nearing 1930s levels.

Speculation

Swiss evaluate strategic metals

"The prices of a series of strategic raw materials have risen in the last few weeks," reported the Swiss financial daily *Neue Zürcher Zeitung* April 20. "Price movements were somewhat more pronounced than in the metals traded on the public exchanges."

Apart from discussions of GSA purchases for the United States, the *Neue Züricher Zeitung* argues, "In Great Britain, the government has proposed a stockpiling program for ferro-manganese, silicomanganese, ferrochromium, cobalt, and Vanadium ore. The purchases effect essentially the same metals which have been mentioned as leading candidates for stockpiling in a European Community study. France has stockpiled considerable amounts of strategic metals in a quiet fashion. In the London specialist trade there were recently rumors of new Swiss purchases. . . . In Japan, a program was recently decided upon to increase strategic reserves of a series of strategic metals to the 60-days level."

The report did not mention considerable purchases and contracts for futures purchases of metals relating to aircraft and aerospace production made by Israel in South Africa.

Domestic Economy

First quarter consumer sales down

Despite the 10-point jump in the U.S. "consumer confidence index" published by the business think tank, the Conference Board, which they called "the biggest jump in nine years," consumer sales in the first quarter of the year were lower than the last quarter of 1982, the period considered the low-point of the current "recession."

With March's figure of $91.5 billion, the total retail sales for the quarter is 1 percent lower than the last quarter of 1982. The Commerce Department reports that the preliminary February retail sales figure, which showed a 0.3 percent drop from January, was found to be a 1.2 percent drop when revised this month.

The most disappointing figure to "recovery" advocates was the quarter's auto sales, which were not only below those of fourth quarter 1982 but even below the first quarter of 1982 on a seasonally adjusted basis. Sales for 1983's first quarter, seasonally adjusted, were at an annual rate of 7.8 million units, compared to 8.3 million units in the same period last year.

U.S. Government

Mont Pelerin moles set up President Reagan

Undersecretary of State William Allen Wallis and Treasury Undersecretary Beryl Sprinkel are deliberately sabotaging a U.S. policy initiative on Third World debt to set up President Reagan for a banking crisis later this year. Such a crisis would discredit his administration, economists close to the two officials said April 21. Wallis is the founding treasurer of the Swiss-based Mont Pelerin Society, and a former dean of the monetarist University of Chicago, where he taught Secretary of State George Shultz. Sprinkel is the former head of the Swiss-run Shadow Open Market Committee.

Both Wallis and Sprinkel have stated that there should be "no major new initiatives to deal with the debt problem" by the United States because there is no real debt crisis and "the problem will be solved by the [U.S.] economic recovery," a

sources. This view is being presented to President Reagan as "proof" that his economic policy has worked, and the President as of now apparently will follow the "do-nothing" line at Williamsburg, Washington sources agree.

However, Wallis is "in fact well aware that whole parts of the world debt structure are completely insolvent," Swiss-born economist Karl Brunner, another student of Wallis, said April 21. "We don't think the recovery will take care of the debt problem in the least. This is a serious international financial crisis, and we need a long-term solution. If the United States does nothing on the debt at Williamsburg, there will be a summer or fall banking crisis. The big banks will come in and demand that the government bail them out, and Reagan will be forced to hand over policy to the IMF or to the people such as Mr. Rohatyn. . . . Reagan will be finished with his economic program."

International Trade

Kissinger consults for Peking

Henry Kissinger is now an official consultant to a Hong Kong-based Chinese company which procures advanced Western technology, according to the April 21 issue of the *Far Eastern Economic Review*. The company, Everbright Industrial Corporation, is headed by Wang Guangying, the brother-in-law of the late Chinese head of state, Liu Shaoqi. Wang is a former Shanghai capitalist, and his sister is Wang Guangmei, Lui's widow and an active political figure in the People's Republic of China today.

Kissinger, according to the *Review*, made a 24-hour stopover in Peking in March to confer with his new employer. The meeting with Everbright chairman Wang took place despite the controversy between Washington and Peking over the American decision to give political asylum to a 19-year-old tennis player who defected from China.

Hong Kong-based companies established by Peking to procure highly sensitive American and other advanced technology have been particularly controversial in Washington. Many Reagan administration officials have favored restricting American business transactions with corporations fronting for Peking, since China is still subject to restrictions pertaining to flow of technology to communist countries.

Briefly

● **EDWIN J. GRAY** was sworn in as a member of the Federal Home Loan Bank Board April 13. It is considered likely that Gray, a member of Reagan's White House staff, will be named chairman of the board when current chair Richard Pratt steps down at the end of April. The appointment is seen as an indication of administration support for the homebuilding industry.

● **FRITZ LEUTWILER,** chairman of the Bank for International Settlements and Swiss National Bank, told British banks that central banks had no right to push bankers to extend further "interbank" loans to debtor countries, the London *Financial Times* reported April 22. Brazil and other Ibero-American debtors have avoided default only through a $40 billion rise in such borrowings through their banks abroad during the September-February period. Federal Reserve officials complain that Leutwiler is undermining a principal source of funds keeping Brazil and other countries afloat. Bank of England officials are reportedly furious.

● **SHORT TERM CREDIT** lines to big debtor countries are being withdrawn for the first time since the September Mexico crisis, according to one big commercial bank. "This can't persist or there will be big trouble," says one banker.

● **DEFENSE EXPENDITURES** will become the issue of a bitter fight between President Reagan and Congress, according to Fed analysts; they predict that Reagan will have to veto a series of appropriations bills.

● **M1 ROSE** $3.1 billion in the week ending April 14, following a $2 billion rise the previous week, reflecting Fed Chairman Volcker's attempt to hold rates down while his re-appointment is under consideration; last year's seasonal adjustment factor would have shown increases three times as large.