

Business Briefs

Domestic Economics

Begin campaign to 'Hooverize' Reagan

A campaign to "Hooverize" President Reagan is already in the works, centering immediately on the issue of tax hikes. In his farewell address on Nov. 7, Walter Mondale confidently predicted that economic pressures would be so great that Reagan would be forced to "eat crow" regarding his vow not to raise taxes during his next term.

As if on cue, a special edition of *Newsweek* magazine reported that Richard Darman, chief lieutenant to James Baker III of the White House palace guard, and budget director David Stockman have already drawn up a plan for increasing taxes. *Newsweek* published excerpts from a Darman-Stockman memo which says that the tax hike proposal, to be announced after the elections, would be packaged as a "revenue-neutral" tax simplification plan, but would actually increase taxes.

Reagan has reportedly not yet seen the memo, but has repeatedly reaffirmed his opposition to any tax hikes. But pressure on him to raise taxes is steadily mounting from Wall Street, his palace guard, and the national media.

International Debt

Dominican Republic asks IMF for debt moratorium

An IMF mission arrived in Santo Domingo on Nov. 10 to resume the negotiations which had been broken off after 54 people were killed in rioting against IMF conditionalities earlier this year. President Jorge Blanco plans to ask the IMF for a debt moratorium while his nation's foreign debt is renegotiated with "stretch-outs like Mexico and other countries received." Blanco, who explained he was going to the IMF because he was desperate for "emergency credits," is not likely to succeed.

Dominicans, who long ago stopped being able to afford meat, now cannot even afford the national staple diet of rice and beans, and are surviving on a low-protein pasta diet.

Technology

China goes nuclear, pushes modernization

The Peking leadership is fully backing a "go-nuclear" campaign for China. Since approximately March 1984, the country has been hit by a sweeping media campaign, including articles in the *People's Daily* reassuring the population of the safety of nuclear energy. The *People's Daily* even described as "deliberately exaggerated" foreign press scare stories on the 1979 "accident" at Three Mile Island.

The pro-nuclear campaign goes hand in hand with the Deng leadership's ambition to launch sweeping economic and industrial modernization reforms, and their recent decision to purge the officer corps of those "leftist" elements who rose through the ranks during the Cultural Revolution. Two days after Deng called for older officers to make way for "younger and more competent officers," the official news agency, Xinhua, put out a release Nov. 4 officially announcing the purge.

Yu Qiuli, political affairs head of the military, said: "To get rid of left influences, the Cultural Revolution must be totally repudiated."

East-West Trade

Soviets to make a killing in grain deals

On Nov. 20 and 21, semi-annual talks will take place between the United States and the Soviet Union on grain trade agreements under their current five-year agreement (LTA), originally signed in August 1983. Daniel Amstutz, for 25 years a top executive with Cargill Grain Company and now undersecretary of agriculture, will lead the U.S. delegation. V. Ivanov, the Soviet deputy minister of foreign trade, will lead that of the Soviet Union.

It is an open secret in grain trade circles that the Soviets have asked Cargill and the other grain conglomerates not only to guarantee them huge grain shipments, but also

to arrange U.S. government and private financing for such trade.

USDA head John Block termed the Nov. 20 and 21 meeting "routine grain trade talks"; however, according to the USDA, the Soviets plan to import a record 50 million tons of grain from the West this year, with well over 20 million to come from the United States.

International Banking

Banks put India into financial squeeze

The commercial banks are beginning to put the same squeeze on India following the assassination of Prime Minister Indira Gandhi that banks earlier had put on the Philippines following the murder of opposition leader Benigno Aquino.

Using possible "political upheaval" as the excuse, the 33 commercial banks which had committed themselves to support an eight-year \$300 million loan for a government alumina project are now holding up the credit. Said one Japanese banker: "Until the situation stabilizes, it will be difficult for India to return to the international credit market."

Other projects put into jeopardy are a loan for oil-exploration equipment for the National Natural Gas Commission and ship orders from a South Korean company.

This is exactly the kind of tactic that forced the Philippines to go to the International Monetary Fund. For India, the squeeze is particularly dangerous, because it coincides with the economic collapse of the critical state of Punjab, India's granary.

Currency

Thai devaluation causes government crisis

In a surprise move on Nov. 1, Thai Finance Minister Sommai devalued the national currency, the bhat, by 17%, and removed it from the dollar, pegging it instead to a basket of currencies. The move was ostensibly

taken in order to relieve the Thai balance of payments deficit, which, however, is not that serious. The devaluation will have the effect of increasing the cost of importing capital goods and reducing the military budget, while boosting imports and, of course, the tourist trade.

The devaluation has caused a government crisis. General Arthit, the supreme commander of the armed forces who threatened a coup earlier this year, went on national television to demand a cabinet reshuffle and the reversal of the devaluation. Otherwise, Arthit said, Thailand is threatened with "chaos and instability." Five other top generals also signed Arthit's statement.

While the political motivation of the devaluation is not yet known, it is clear that the move was taken in concert with the International Monetary Fund and probably with a consortium of five commercial banks—four New York and one Japanese—which are negotiating to give Thailand a standby credit facility.

Space

Shuttle rescued failing satellites

The Nov. 8 launch of the Space Shuttle orbiter Discovery was designed to feature the first-ever double satellite rescue. The Indonesian Palapa-B and Westar communications satellites, which were put into useless orbits in February 1984 when their upper stage rockets failed, were met by mission specialists in backpacks. Two communication satellites were also launched.

After the satellites were outfitted with special fixtures by the astronauts, they were brought to the payload bay of the orbiter, attached to the manipulator arm, and placed in the cargo bay for a return to Earth. There, they will be refurbished, and resold as "used" satellites to be relaunched.

This Shuttle mission is also beginning the first of a series of experiments by the 3M Company on crystal growing in micro-gravity. The 3M Company recently signed a long-term agreement with NASA to test various crystal- and materials-production facilities in space.

The eight-day mission was scheduled to

end after a total of six hours of extra-vehicular space activities during the satellite rescues. This flight is the first in NASA's ambitious once-a-month launch schedule. The December mission will be for the Defense Department.

Economic Theory

U.S. economy: oppressive and unjust?

The National Conference of Catholic Bishops has issued a "Pastoral Letter" criticizing the functioning of the U.S. economy and its social impact on Americans.

The letter, according to Church sources, charges that some Americans see the nation's economic system as oppressive and unjust, a perception that can undercut their faith and belief in God, since they cannot comprehend how God can allow such a system to exist.

New York Archbishop John J. O'Connor assured a group of stockbrokers on Nov. 8, however, that the letter is not an attack on businessmen.

Last year, the same bishops' conference issued another Pastoral Letter endorsing a nuclear freeze.

There has been considerable controversy about the letter since the bishops announced they were studying the topic. Public release of the letter was delayed until after the presidential elections.

In a show of opposition to the bishops' conference, a group of influential lay Catholics issued their own 80-page statement on election night, voicing strong support for the U.S. economic system.

The bishop's letter states:

"Faced with the workings of an economy so complex as to be almost inscrutable, some feel powerless to bring Christian conviction to bear on economic activity.

"Others see so much injustice and oppression that they deny the possibility of a loving God being involved in such a process. Thus they reject the faith that proclaims this God.

"Affairs of the world, including economic ones, cannot be separated from the spiritual quest of the human heart," the letter concludes.

Briefly

● **ANTONINO ZICHICHI**, the Italian physicist who is chairman of the CERN nuclear research center in Geneva and organizer of the U.S.-Soviet Erice conference on beam-weapons, has received a positive response from the Soviet Union on his proposal to create an international "steering committee" and world research laboratory on beam weapons. "On Thursday [Nov 1] a call came from Moscow; it was Aleksandrov, who finally said yes," reported a close collaborator of Zichichi. "I will soon go to Moscow," Zichichi told the Italian daily *La Repubblica*, "and thereafter I plan to go to the United States, to the Lawrence Livermore Laboratory . . . in order to discuss American participation on the committee." According to *La Repubblica*, the formation of the committee is one of the four proposals on which American and Soviet scientists agreed at Erice last August.

● **THE FRENCH** Ministers' Conference decided on Oct. 31 to build only one nuclear plant in place of the five or six per year of the 1970s.

● **THE DEUTSCHE BANK**, West Germany's largest bank, acquired a 4.99% share in the British merchant bank Morgan Grenfell & Company for £14 million, thus gaining a toehold on the British government bond market. Although a number of other European banks already have bought into the British bond trading houses, Deutsche Bank's purchase makes it the first West German bank to have access to the U.K. securities market.

● **ITALY'S** private sector employers fired the first shot of the season in their long-running campaign to reduce the costs of labor. Confindustria, the employers' organization, told its members to pay only half the wage increase due following the two-point rise in the *scala mobile* pay-indexation system. The two-point increase, to take account of rising inflation over the past three months, was announced on Nov. 7. Unions have not yet formulated a strategy for dealing with the Confindustria decision.