

# Business Briefs

## U.S. Economy

### **Machine-tool orders one-third below last year's**

For the first 10 months of 1981, machine-tool orders have averaged more than a third below the net orders of the first 20 months of 1980.

Net orders for 1980 (which subtract cancellations from total new orders), averaged \$388 million per month for a yearly total of \$4,662 million.

The first 10 months of 1981 produced net orders of \$253 million per month, or 34.7 percent below the 1980 levels.

The industry's order backlog stood at \$5,027 million in January 1981. The figure for October 1981 was only \$3,360 million.

The dramatic plunge of net machine-tool orders indicates that the auto industry, the largest purchaser of machine tools, is carrying out its threat to scale down investment while seeking productivity increases by trimming the workforce.

The figures also indicate that the increased defense budget has yet to be translated into demand for machine tools.

## Industrial Strategy

### **OECD declares war on Hamiltonian economics**

The political-economic division of NATO, the Organization for Economic Cooperation and Development (OECD), has declared total war against the economic principles of Alexander Hamilton and his Japanese adherents. The OECD produced a report following a Nov. 16-17 meeting in Paris which called for an end to governmental subsidies to the high-technology industries. The OECD charged that such subsidies not only "distort" free trade, but could lead to what it called "overinvestment" and "overcapacity." According to the Dec. 1 *Ni-*

*hon Keizai Shimbun*, Japan, though not named, was the report's major target. In particular, government support for a revolutionary fifth-generation computer that could challenge IBM's technological supremacy was seen as a target.

Japan, backed by France, attacked the OECD proposal, but Germany and the U.S. pushed through the majority view. Ironically, it was American founding father Alexander Hamilton who provided Japan with the model of government-aided industrial progress.

## Peking's Program

### **Chinese continue decapitalization plans**

The National People's Congress, the Chinese rubber-stamp parliament, was addressed by Premier Zhao Ziyang at the opening of its meeting in Peking Nov. 29, and told that China would have to suffer at least five more years of austerity, which Premier Zhao calls "adjustment." Zhao made it clear that the policy of virtually zero capital investment in industry and agriculture over the past three years would continue.

The principal economic policy of the Chinese rulers remains "zero population growth," for which it has been hailed by the World Bank and others as a global model. The content of Chinese population policy is forced abortion and infanticide, which the Peking government hopes will achieve a significantly reduced population by the middle of the next century.

The *Wall Street Journal* Nov. 30 reported new horrors carried out under government aegis in Canton. These involved the termination of pregnancies in the seventh, eighth, and ninth months, and the use of injections when a woman is in labor to obtain the birth of a still-born child or an infant so sick that it dies within a few days.

The *Journal* quotes a Chinese source: "Every day hundreds of fetuses arrive at the morgue." According to the *Journal*,

"There are even reports of infanticide in city hospitals, with doctors killing babies immediately after birth if they are third children."

## 'Risk Analysis'

### **IRIS to be a unique operation**

The International Reporting and Information Services or IRIS, formed at the end of November, claims to be the largest private intelligence agency in history. It boasts of computer facilities, based in Crystal City, Maryland, larger than the CIA's computer in Langley, Virginia and the capabilities to monitor all international publications and radio and television broadcasts. Incorporated in the Netherlands, IRIS is run out of Washington, D.C. from offices of the Government Research Corporation, the publisher of the *National Journal*. According to press accounts, it employs more than 120 former CIA agents and scores of other former intelligence agents and analysts from other nations. IRIS has a four-member advisory board, headed by Brandt Commission member and former Tory Prime Minister of Britain Edward Heath, comprising former World Bank President Robert McNamara, a Club of Rome member, as well as former Colombian Finance Minister Rodrigo Botero and former Giscard cabinet minister J. F. Deniau, who many people say was responsible for Giscard's election defeat this year through his mismanagement of the former French President's campaign.

A Heritage Foundation source close to British intelligence stated Dec. 2 that IRIS is a project of the circles in London who run the London School of Economics and their policy networks. The intelligence gathering, he stated, is a ruse. IRIS's plan is to take over all functions of so-called "risk analysis" in the private sector and use this to implement the policy positions of the Brandt Commission and Heath. IRIS will function in part as a dirty-tricks capacity against targeted

enemies of the Club of Rome networks and their deployable Socialist International allies. "They [IRIS] are not interested in money," said the source. "They are interested in power." Aside from monies from GRC, a suspicious outfit headed by the London School of Economics-trained Andrew Stout, IRIS receives funding from six British and continental merchant banks.

### Gold

## 'Supply-side' gold option at the BIS?

"Supply-side" publicist Jude Wanniski, who left the *Wall Street Journal* to run a political-economic consulting firm, put the version of the gold standard currently associated with Arthur Laffer, Rep. Jack Kemp, and Lewis Lehrman into a *Business Week* "Ideas and Trends" column Dec. 7. Although Wanniski describes the proposal as a growth option, he cites as identical a plan offered by Bank for International Settlements President Jelle Zjilstra—who wants to use gold to reduce growth.

"The entire world, Communist as well as capitalist, has been led into recession and the path of a gathering financial storm by obsolete U.S. monetary policy. Only the careful use of gold through a particular kind of gold standard can now prevent a U.S.-led world depression," Wanniski wrote. He adds, "In that spirit, we discard the various gold 'cover' standards that rely on quantities of gold as a way of forcing discipline on the monetary authorities."

He concludes by urging "a telephone call from President Reagan to Treasury Secretary Regan to initiate the Mundell-Zjilstra proposal."

However, in a Paris speech Nov. 23, Zjilstra's chief assistant Alexandre de Lamfalussy called on governments to "defuse inflationary expectations by sending out more signals about interest rates and credit shortages"—the opposite of what the supply-siders say they want.

### Banking

## Free banking to bring hot money flood

Free banking zones, also known as International Banking Facilities, went into effect in major U.S. cities Dec. 3, and are already threatening to flood the U.S. with billions in hot money and other speculative Eurodollars, Federal Reserve sources said.

Federal Reserve economists estimated this week that the Fed's new IBF plan will bring as much as \$125 billion in Eurodollars into the U.S. banking system "within weeks." The new free zones "will return a substantial portion of the \$1.6 trillion Eurodollar business to the United States shores," New York State Superintendent of Banks Muriel Siebert said in a congratulatory letter sent to each of the dozens of banks which opened International Banking Facilities in New York this week.

IBFs were first proposed in 1978 by the New York Clearing House Association of the top 12 New York commercial banks, led by David Rockefeller's Chase Manhattan and Walter Wriston's Citibank. The plan was approved by the Federal Reserve Board after the personal endorsements of Fed Chairman Volcker and New York Fed President Anthony Solomon earlier this year.

IBFs are designed, as a Chase Manhattan spokesman told *EIR*, to "bring the Eurodollar markets back home," that is, to bring into the U.S. the sort of unregulated and speculative banking practices which foreigners and Americans have heretofore had to go abroad to conduct—outside the authority of U.S. regulators. As in the Euromarkets, the free zones here will be so scantily regulated by U.S. authorities that they will provide ample room for drug and other money laundering.

Free zones are free of: reserve requirements—banks need hold no reserves against loan losses; federal regulation; interest rate-ceilings; and federal, state, and city taxes.

## Briefly

● **MEXICAN** officials charged the first week in December that the World Bank is attempting to put a credit squeeze on Mexico. The bank is demanding that all its new lending to Mexico—a significant part of Mexico's foreign credit—be in the form of co-financing with commercial banks. This would close Mexico off from the Bank's subsidized fixed rates and long-term maturities, and force Mexico even more onto Volckerized world rates and short-term maturities. The World Bank move comes as Mexico faces a gigantic leap in its net foreign borrowing needs, from some \$4 billion last year to \$11 billion this year. The largest portion of the increase corresponds directly to financing higher interest rates on the world markets.

● **JAMES McCLURE**, Republican of Idaho, told members of the American Nuclear Society and Atomic Industrial Forum that nuclear power is a "moral issue." "The moral issue is international. Nations go to war when their survival is threatened." He cited the 1978 NAACP statement supporting nuclear energy as "the hallmark" statement for the joint conference.

● **LESTER THUROW**, MIT professor and author of Committee on the Present Danger policy documents, has called for a "national corporate investment committee" consisting of labor, management and government officials to direct credit into "sunrise" post-industrial sectors of the economy.

● **AN EXIMBANK** official confirmed to the Fusion Energy Foundation Dec. 2 that the bank will not be involved in financing American nuclear exports to Egypt as a result of "a decision reached at the highest levels of the Bank." The official said that since Exim is "like a regular commercial bank," projects that receive financing from it must bring in their own foreign exchange to pay off the debt to Exim.