

Business Briefs

Domestic Credit

Volcker and Conover brief big banks

Fed Reserve chairman Paul Volcker and Comptroller of the Currency C. Todd Conover have been meeting with the megabanks, Washington sources say, to get them ready for the coming U.S. banking shake-out. Volcker gave the big banks a boost in cash flow with the drop in interest rates, and is now telling them: "You have to use the breathing room of new cash to bolster your capital and cover your *ss."

"You have to put yourselves now in a position to survive the coming hit on the balance sheets of the banking system as a whole," is the word, so that when U.S. regional farm and oil banks go under, the big banks can weather it.

The Federal Deposit Insurance Corp. (FDIC) announced a crackdown against banks on Feb. 12 to "increase market discipline," proposing to issue weekly press releases detailing FDIC "enforcement actions." That is, they will publicize banks which the FDIC has compelled to take losses. This will force banks generally to cut back on lending, especially to shaky sectors like farm, oil, and real estate.

Smaller banks, of course, will be worst hit because they won't have the deposit base or the cash to cover the losses from the bad publicity, which could mean that bank runs will begin.

The American Bankers Association on Feb. 12 denounced the FDIC move, saying they are "sharply at odds" with it. "The information could be misinterpreted by depositors, who could withdraw their funds."

Agriculture

Farm congressman calls farm debt a 'volcano'

Reporting a growing incidence of demonstrations in protest of loan processing delays outside the Farmers Home Administration in his congressional district, Wisconsin Re-

publican Rep. Steve Gunderson told a House panel in mid-February: "There's a volcano ready to explode out there."

In the hearings, Donald Wilkinson, governor of the Farm Credit Administration, stated that he had come out of a recent meeting with Agriculture Secretary John Block and Undersecretary Frank Naylor "feeling that the administration does not view the agricultural credit situation nearly as seriously" as do the people who must lend to

Block did little to dispel that criticism in testimony before the Joint Economic Committee during mid-February when he declared that the "situation continues to deteriorate as commodity prices remain weak, interest rates remain high, and land values continue to decline in key farming areas."

Invisible Hand

Mt. Pelerin minion: drugs 'wave of future'

Speaking from his hotel room in Jerusalem, Max von Thurn, secretary of the Mt. Pelerin Society and member of the extended family of Prince Johannes von Thurn und Taxis, told *EIR* on Feb. 9: "The wave of the future is the black market and revenues derived from drug trafficking."

The feudalist reiterated themes he has developed on past occasions at conferences of the Mt. Pelerin Society, the right-wing monetarist organization created by the British Fabian Society to push "free enterprise" drug-based economies around the world:

"We'll certainly see a greater international role for the black economy. It's mainly a consequence of overtaxation and exchange controls. It is an inevitable consequence of the fiscal system. . . . We will certainly see a greater role for money derived from drug-trafficking. This is the *growth* sector of the economy. . . . It's not a good thing, but inevitable. It's the wave of the future. . . ."

Von Thurn also said that he agreed with a group of Vienna-based economists who contend that "the conditionalities policies of the International Monetary Fund are the foundation stone of the world economy."

Technology

Europe plans for a nuclear future

The European Community released a report in mid-February reviewing the EC's progress in implementing nuclear power development over the last decade and plans for future capacity to the end of this century. It is an aggressive program which sharply contrasts with the horrifying picture of nuclear energy in the United States.

The EC's energy plan includes a goal of 128 nuclear reactors on line, with a total capacity of 98 gigawatts by 1990. At the end of 1983, there were 95 reactors on line, with a capacity of 52GW. By the year 2000, the plan calls for 50% of the EC's electricity to be nuclear generated, and for more cooperation on nuclear energy development among the member states.

The report states that nuclear energy is economical because of its "great energy density" and that, with the breeder reactor, it is a "virtually renewable energy" source. The contrast with the United States is striking.

At the time of the 1973 Middle East oil crisis, the United States was producing 4.3% of its electricity from nuclear power plants. By 1983, the percentage had only risen to 12.6%. In Europe, on the other hand, the 1973 level of 5.4% nuclear jumped to 22.4% in the same decade.

The EC report refers to nuclear as an "economical and strategically secure energy option." Gaining independence from foreign oil suppliers is a major goal of the energy plan.

Development

Satellites could aid Third World development

The International Telecommunications Union (ITU) has recently completed a study which outlines the vast benefit to economies of the developing nations which these space-

based technologies could provide. During the past 15 years, satellite communications have revolutionized telephone, television, and data transmissions throughout the industrialized nations of the world.

Technology on the horizon would allow rural and dispersed populations around the world to purchase or even lease small, inexpensive satellite receiving terminals which viewers could use to "go to school" and learn everything from basic reading skills to simple medical procedures. They could receive news from around their nation and the world and have access to all of the world's learning and culture.

The Independent Commission for World Wide Telecommunications Development, set up in 1982 by the ITU, recommended that satellite manufacturers develop and use technology that meets the needs of developing nations' remote areas at low cost. It is noted that in many nations, there is 1 telephone per 100 persons. "There are more telephones in Tokyo than in all of Africa," a member of the commission stated when the report was released.

The State Department reports that many of these development projects would be funded by the Export-Import Bank, from the U.S. side, but that the Ex-Im Bank is "on the chopping block" in the current budget. A conference to implement the commission's findings is proposed for Tanzania at the end of May. Various financing mechanisms are under discussion for these projects.

International Trade

U.S.-EC trade war over steel imports?

A new U.S.-European trade war is threatening to erupt over the surprise demand by the Reagan administration on Feb. 8 to the European Community that a loophole in a 1982 steel-export agreement be closed. The outcome could be unilateral U.S. action to restrict EC imports of semi-finished steel, primarily for auto production, if agreement is not reached in 60 days.

The restriction could have a devastating

impact on the West German economy, where exports to the United States have risen some 300% since 1983. The relative competitiveness of German exports is due to the dollar rise and to the qualitative superiority of German steel production technology using the continuous-casting method. A spokesman for Thyssen Steel warned that the new dispute "could have far more serious consequences for the European steel industry than the row over the Europeans' share of the U.S. pipes and tubes market."

The latest controversy comes amid rising U.S.-EC tensions over agriculture exports as architects of the U.S. "free market" farm bill in Congress prepare to unleash food war between U.S. and European farmers. One leading City of London financial analyst told this news service on Feb. 12 of reports that U.K. farmland values are falling, aggravating farm bankruptcy pressures there, as in the United States.

International Credit

Brazil's credit cut off by IMF

The *Wall Street Journal* announced on Feb. 14 that according to sources in the financial community, the International Monetary Fund is cutting off credit to Brazil until the country proves it can comply with economic targets set under an IMF austerity agreement. The IMF demands are provoking a wave of collapse of financial institutions in Brazil. The federal government is now being forced to intervene to save major and minor banks.

The *Journal* said that the IMF cutoff involves about \$1.5 billion remaining from a \$4 billion IMF program. Negotiations between Brazil and a group of 14 international banks on its \$100 billion foreign debt, to restructure about \$45 billion in principal payments falling due between 1985 and 1991, broke down on Feb. 13.

Bankers said that the IMF's managing director, Jacques de Larosière, is "fed up" with Brazil and that he fears that the IMF's credibility would be seriously damaged if he kept excusing Brazil's economic failures.

Briefly

● **HELMUT SCHMIDT**, the former West German chancellor now working with Kissinger Associates, wrote in the German daily *Die Zeit* that while "the time bomb of the Ibero-American debt crisis is still ticking," a second time bomb—the U.S. economy—is now ticking as well, and that Reagan's "second American Revolution" is only a "borrowed revolution." He also characterized Paul Volcker as "an outstanding monetary policy steersman of the Western World," and warned Reagan to limit the defense budget, among other things, to create the situation Volcker calls the precondition for lowering interest rates.

● **PAUL VOLCKER**, meanwhile, in statements before Congress during the week of Feb. 11, warned that the United States is risking "the same economic collapse that hit Latin America because of heavy borrowing abroad." Most of that continent's economies, he stressed, are now locked into "harsh long-range austerity programs."

● **GRUMMAN Corporation**, a major aerospace firm, announced on Feb. 12 that it has signed an agreement with NASA to develop a research program for materials processing in space—the first step toward commercial use of space. Spokesmen said the first experiments will be conducted on a process that can be used to build semiconductor crystals and magnets for electric motors.

● **DAVID STOCKMAN**, OMB director, is in trouble with his mother Carol, who said in mid-February that recent anti-farmer comments by her son, who grew up on the family farm in St. Joseph, Michigan, had not "set too well with me." In an interview with radio station WHO in Des Moines, Stockman's mother said: "We've had an abundance of crops and we're just not getting any money at all for our crops," she said. "When I looked at our books last week and found out how much money we lost, I was awed. But, you know, we've chosen this kind of a life."