Business Briefs

International Credit

FEMA takeover behind new Iran measures

Treasury officials acknowledged this week that the measures Jimmy Carter announced against Iran April 7 constitute major new powers granted to the Federal Emergency Management Agency—in fact, "phase 3" of that agency's takeover of the U.S. government. FEMA, a "crisis management" agency critics accuse of creating the crises it "manages," was created one day before the Three Mile Island nuclear "accident" which it "managed" (phase 1), and handled the freezing of Iranian assets held in U.S. financial institutions last November, which shook the dollar and world financial markets to their foundation (phase 2).

Carter ordered a special State-Treasury-Department of Justice task force to present a rush administration bill, "The Iran Claims Act of 1980," to Congress authorizing the Foreign Claims Settlement Commission of the DOJ to actually disburse Iranian dollar assets to "all American claimants," thus transforming November's dollar-asset freeze into outright expropriation.

The special interagency task force formed by Carter is composed of the same offices at State, Treasury and DOJ who make up the FEMA task force.

The responsible Treasury officials said the actions "are preparatory to going to war ... an act of economic warfare." "This sets a precedent for all defaulting Third World countries," added a foreign claims official. "We froze the Nazi and Japanese assets during World War II, and we froze East Germany's assets. We even froze Red Chinese assets. But we never actually took title to them for disbursement to claimants. In each case we have negotiated a claim with the country."

The Treasury officials said the "precedent" involved will be used to extend seizing of funds to any country which defaults. Among such countries under discussion are Brazil, whose debt is toppling under the weight of refinancing $40 billion per year at 25 percent interest rates, and Saudi Arabia, which would only default presumably in the course of military destabilizations in the Persian Gulf. In these cases, "The President can declare an emergency and block and seize the funds," the official said.

Banking

FDIC to propose interstate banking

In preparation for a potential wave of new bank bankruptcies, the directors of the Federal Deposit Insurance Company (FDIC) have been locked in intensive discussion this week on ways to merge failing banks and reorganize the U.S. banking system.The FDIC is the insurer for the deposits of most of the nation's banks, and also has certain regulatory authority over part of the banking system.

The latest move by the FDIC has been to propose to Congress that it approve the authority to allow interstate bank acquisitions in the event of bank failures. This would allow Citibank of New York, for example to acquire a bank in any of the other 49 states, if that bank was thrown into bankruptcy. With the Volcker high interest regime, several bank failures are predicted. While the FDIC strenuously denies it, the permission for banks to make interstate acquisitions would necessarily imply interstate banking. Interstate banking which is now prohibited by law would allow large banks to gobble up smaller banks in a general banking shake-out, regardless of state boundaries and would especially favor New York money center banks which have large asset bases.

The FDIC also has under consideration, according to an FDIC spokesman, plans to allow commercial banks to merge with savings institutions which is also currently prohibited by law. The FDIC is now working out its proposals with the Federal Reserve Board, the Comptroller of the Currency's Office and the office of Rep. Henry Reuss (D-Wis.) the chairman of the House Banking Committee. These FDIC proposals are shaped to cohere with the "Depository Institution Deregulatory Act," which was recently signed into law, and is intended to establish the U.S. banking system along the British model where 10 superbanks run the entire economy.

Shipping

Tanker market in slump

Shipowners have begun selling their very large crude oil carriers (known as VLCC's) for scrap because of a sharp decline in rates for the big tankers, the New York Post reported on April 10. World demand for oil products is down because of skyhigh prices and the emerging U.S. recession. Moreover, since 1973, there has been a trend toward using smaller vessels to carry crude oil. Shipowners have been squeezed by rising maintenance costs and the high expense of overhauling their laid-up ships, many of which are considered obsolete by current government safety and fuel efficiency standards. Arthur MacKenzie, director of the Tanker Advisory Center, reports that some of the ships that are being scrapped are only 10 years old. The tanker industry's latest slump could be bad news for the major New York and London banks which are still carrying "bad" loans to the tanker industry on their books left over from the 1974-75 recession.

Labor

Is a steel strike in the works?

Observors are speculating on whether the current round of talks between the steel industry and leaders of the United Steelworkers of America, which wind up April 13 will see a drastic change in the

Experimental Negotiating Agreement which governs the current round of contract negotiations. The agreement, made in 1977, for this year's talks, prevents a nationwide steel strike in exchange for a contract that promises a 3 percent annual wage and benefit increase and a cost-of-living allowance to cover inflation. Steel industry executives have been claiming the agreement is too expensive, attempting to bargain with labor for a more austere contract, raising the spectre of a possible strike.

Conferences

EIR releases Riemannian model results at Washington seminar

EIR Contributing Editor Uwe Parpart and Economics Editor David Goldman released the most recent indictment of Carter administration energy policies at a Washington, D.C. seminar April 8 cosponsored by *EIR* and the Fusion Energy Foundation. Summarizing the results of the Riemannian computer econometric analysis of "energy conservation," Parpart told the 50 businessmen and trade organization representatives attending, "The worst cause of inflation is not energy prices, but Carter's energy conservation. You absolutely cannot pursue the policies that Carter and Volcker have pursued without incurring a major economic disaster."

Parpart demonstrated that the major cause of structural inflation was the expansion of the debt mass at higher interest rates, against a declining mass of tangible output. The Riemannian model revises the data base for national income to distinguish between productive and unproductive spending. The model's current results, adjusting production figures to take into account overhead costs, show that the economy's net free energy has fallen below zero—in other words, overhead costs are cannibalizing necessary capital and labor inputs.

Economics Editor Goldman reviewed the model's demonstration that the economy was too weak to sustain a significant expansion of military spending, and presented a set of quantitative measures demonstrating that energy conservation and other forms of increased overhead have wrecked the economy. "This has pushed the United States into the worst political crisis in its history," Goldman conlcuded.

EIR will co-host a second Washington seminar to present econometric projections for the development of India on April 22.

Agriculture

20 percent of America's farmers will be forced out of business

American Agriculture Movement (AAM) officials told *EIR* this week that the information coming through their Washington office indicates that as many as 20 percent of American farm producers will be forced out of business this year. Although grain, and especially corn producers are the hardest hit right now, the shakeout is proceeding across the boards.

Today, according to these same sources, there are 229,000 FmHA loans—over 19 percent of total loans outstanding—that are delinquent. The relief advertised in the eleventh-hour passage of the measure extending FmHA emergency economic loan funds by $2 billion (to last through FY 1981!) is largely ephemeral—more than half of that amount has been committed long since.

The Volcker credit squeeze was the final blow. Producers battling soaring production costs and stagnant and falling farm prices today cannot get the necessary credit to put a new crop into the ground. AAM spokesmen report that the farm producer with $600,000 in net assets who cannot get a penny to put in a spring crop is the norm these days.

Briefly

● **RONALD REAGAN** will surprise observers who expect free-market economics if the Californian is elected, some well-informed Washington thinktankers believe. Instead of the tax-cut economics of Rep. Jack Kemp, now reportedly playing a "marginal" role in the policy deliberations, Reagan will adopt a "statist" approach to putting heavy industry in shape for a defense buildup—similar to proposals by Rep. Henry Reuss, these observers say.

● **TOP BANKING** officials see a "domino-style" crash of financial markets as inevitable. One of Citibank's directors said: "There are a thousand things out there like the silver crash waiting to pop up, and no way to avoid a panic. That will produce a shock effect on the population, and finally we will get some policy through." Citibank's undercapitalization of $3 billion against risk assets of $100 billion was a major item of discussion at last month's Trilateral Commission meeting.

● **OIL CONSULTANT** Walter Levy will tell a Bilderberg group meeting this month that the industrial countries must issue bonds indexed to an international consumer price index in order to get hold of the petrodollars and convince the Arabs to keep pumping oil in return for dollars.

● **SENATOR LLOYD BENTSEN**, chairman of the Joint Economic Committee of Congress, is upset over the JEC's inclusion of a proposed "Energy Productivity Index" in its Feb. 28 Annual Report. *EIR* last week raked the JEC over the coals for mistaking economic distortions due to cutbacks in energy use for a positive development. "That came out of the Kennedy subcommittee," an aide says. "Those guys want to have kids putting up solar panels on ghetto housing. Nothing in this economy will work without nuclear energy."