

Business Briefs

Labor

Real U.S. unemployment in double digits

Executive Intelligence Review analysts reported June 12 that this past April, when the official unemployment rate reached 7.0 percent, real unemployment was minimally 12.4 percent. And a combined measure of real unemployment and *misemployment*—a growing number of workers have been shunted into non-productive, dead-end jobs over the last several years—was *nearly 25 percent*. The real unemployment rate among black male youths ages 16 to 21 was nearly 40 percent, by our measure.

The number of individuals "not in the labor force" has been steadily increasing in line with the disappearance of productive job opportunities in the U.S. economy. A full report is coming in *EIR*.

Energy

Soviets gear up nuclear development

The Soviet Central Committee met June 3 to gear up the country's energy development program, especially nuclear energy, in the next Five Year Plan. Motivating this program, Politburo member A.P. Kirilenko said in the main speech of the meeting that "The imperialist circles, and especially the U.S., have seriously complicated the international situation . . . The situation in the world dictates the necessity for successful implementation of the development plans for Soviet electrical energy, which plays a key role in the further growth of the nation's economic and defense potential. The calculations of the Carter administration that its so-called 'economic measures' of struggle against the U.S.S.R. would restrict the development of our economy and its energy will fail.

"Particular attention must be given to make sure that the atomic power

stations are completed on time," Kirilenko stated, stressing the future requirements of "expansion of nuclear plant construction with fast-breeder reactors, development of work on thermonuclear fusion power, use of solar and geothermal energy, and work on the phenomenon of superconductivity. The U.S.S.R. State Committee on Science and Technology, the Gosplan, the ministries and departments, will undoubtedly move ahead on these pressing scientific-technological problems with high responsibility, and ensure the complex solution of all questions concerning the implementation scientific discoveries and the creation and use of new technologies."

According to West German corporate executives, during his recent talks in Bonn, which produced the new West German-Soviet industrial cooperation accord, Soviet leader N. Tikhonov indicated that a decision in favor of the huge new natural gas pipeline deal between the two countries could be taken in the middle of this year. Chancellor Helmut Schmidt visits Moscow at the end of June.

Banking

BIS report calls for bullet-biting

The annual report of the Bank for International Settlements applauds the fact that most countries have pursued the tight monetary and fiscal policies long advocated by the BIS, which is the consultative group of Western central bankers based in Basel, Switzerland. "Fighting inflation" remains the top priority, states the report, even though credit restriction can "push the Western world into an outright recession." The BIS staff, headed by Alexandre Lamfalussy, singles out the American economy as most in need of "painful adjustments"; for the Western industrial world as a whole, it adds, "an extended period of painfully slow growth is necessary," because "freedom of choice" is lacking.

The report coincided with the annual meeting of the BIS, attended by central bankers from more than 70 nations. The meeting celebrated the 50th anniversary of the institution, which originated Friedman-style monetarism. Discussion centered on recycling of petrodollars, specifically the still vague French proposal to expand the European Monetary System and its capacity to absorb the OPEC surplus. Such inflows could dampen inflation while allowing lending expansion, if they were channeled into productivity-boosting industrial investment in Western Europe and the developing sector. On this topic the BIS report states that there is no immediate problem with current forms of financing non-oil LDC deficits. In the medium term, it suggests, the International Monetary Fund should take on a larger recycling role.

Agriculture

Carter threatens milk support cuts

U.S. Secretary of Agriculture Bob Bergland threatened June 4 to postpone the scheduled October increase in dairy price supports, claiming that he thinks the dairy industry will go along because the alternative is "for Congress to set a limit on dairy support spending, like they have on food stamps."

According to the *New York Times*, the National Milk Producers Federation has already submitted proposals to make the price support level more flexible. Currently the law requires Washington to support twice a year if the parity index rises, as has been the case for the past three years.

Bergland's supporters argue that the increase in U.S. milk production from 121.6 million pounds in 1978 to 123.6 million in 1979 reflects unfair incentives allowed dairymen and compels the government to buy up excess milk and cheese surplus. Farmers say, however, that their costs have outrun their real incomes, jeopardizing the future of the

dairy sector. The output increase, they report, reflects the unprofitability of the non-dairy farming they usually devote resources to, such as production of beef and feedstuffs.

Oil

Are OPEC prices leveling off?

The OPEC oil cartel's price-setting meeting in Algiers this week saw the most conservative move on the pricing front by the 13 oil producers since the Iranian Revolution last year. The maximum upward motion of OPEC prices is expected to be no more than \$2 a barrel between now and September when the Cartel meets again.

Despite the widely publicized militant rhetoric of the so-called pricing militants led by Iran, Saudi Arabia and its moderate ally, the United Arab Emirates, refused to raise their prices or meet Iran's demand to lower production. Iranian Oil Minister Ali Moinfar, in a bid for publicity, spent most of his time in the corridors convincing correspondents that the cartel had agreed to decrease crude output by 2 million barrels a day. Moinfar was summarily overruled by other more responsible oil ministers who confirmed that no such agreement on a production cut existed.

According to AP-Dow-Jones, Saudi Arabian oil minister Zaki Yamani left the meeting after the first day for temporary consultations with Saudi Crown Prince Fahd in Spain. The next day, Saudi Arabia flatly refused to raise their price one penny above the \$28 a barrel level. This was seconded by the United Arab Emirates. Yamani's only comment on Moinfar's insistence that an agreement to lower production and raise prices had been reached was: "Saudi Arabia has agreed to nothing."

At present there is an estimated 6.7 billion barrel world reserve of oil in stock with a daily surplus of over 1 million barrels. OPEC can only enforce further price hikes by lowering its production. Iran has begun to feel the brunt

of this situation, with sales of only about 600,000 barrels a day. Oil industry sources report that Iran is now secretly lowering its prices from the \$35 a barrel range just to keep its customers.

Moinfar almost engaged Iraqi oil minister Karim in a fist fight during the meeting, accusing Iraq of taking Iranian markets by increasing oil output.

World finance

De Montbrial: need 'exceptional actions'

A June 12 essay in the French daily *Le Monde* shows the degree to which Western Europe has been shaken by the failure of U.S. economic leadership. The author, Thierry de Montbrial, is a director of the Institut Français des Relations Internationales, a member of the Club of Rome, and a member of the Trilateral Commission.

De Montbrial writes that "transatlantic disaffection," the "unprecedentedly critical economic situation," and especially "the indebtedness of the Third World" and the insolvency of part of the Fourth World" now "threaten the international system in a qualitatively and quantitatively new mode. . . . The idea of a world conflict is not being ruled out any more. Exceptional situations require exceptional reactions."

Montbrial adds that "I dream of a U.S. President" who would announce the reconvertibility of dollar official reserves into gold and "a war plan" for energy independence, adding that Europe must "assert in practice the existence of a European pillar, coherent, independent, but allied with America. . . . A more coherent role for the Nine [European Community members] is not incompatible with the idea of a directorate introduced by General de Gaulle in his 1958 memorandum to Eisenhower. . . ." De Gaulle proposed a "Tri-directorate" of the Atlantic Alliance, in which France, the U.S., and Great Britain would each have veto power over any use of nuclear weapons.

Briefly

● **AMERICAN BANKING** Association members were heard at the recent international monetary conference in New Orleans vociferously protesting government loan guarantees for the Chrysler Corporation. Asked to comment on their support for a "safety net" to bail out bad international loans held by U.S. banks, they said, "That's different."

● **ITALY'S** statistical agency reports that April 1980 manufacturing output jumped 14.9 percent above the year-earlier level. In the first four months of this year, industrial production rose 10.8 percent, seasonally adjusted. According to the national manufacturers' association Confindustria, rising productivity, domestic consumer demand, and capacity expansion have contributed to the increase.

● **JOHN MOORE** president of the U.S. Export-Import Bank, said last week that the large New York commercial banks have cut off all new credit to South Korea for the next three months, pending resumption of the "liberalization" of the country demanded by the Carter administration. Otherwise they expect "unrest" and will probably extend the credit embargo.

● **JIMMY CARTER** told a June 10 conference of big-city mayors that "I hope and I pray that the recession will be short and the worst of the unemployment is behind us." His Treasury Secretary, G. William Miller, stated June 6, however, that until we "know the path of the economy, we do not intend to flinch and change course."