

Business Briefs

Banking

Savings and Loan League sues Volcker and Dereg Committee

The U.S. League of Savings and Loan Associations launched a suit last week charging Federal Reserve Chairman Paul Volcker and the newly formed Deregulation Committee with usurping powers beyond those mandated by Congress and acting in a manner "prejudicial to the savings and loan institutions." The Deregulation Committee, created by the March 1980 Omnibus Banking Bill, is headed by Volcker. Among its other powers, it is mandated to phase out over a six-year period various distinctions between commercial and thrift institutions, including the one-quarter percent higher interest that savings institutions are allowed to pay to depositors. Instead, the Deregulation Committee voted to phase out the differential by the end of 1980. The League is charging that this and related decisions will deprive the savings and loan institutions of \$17 billion in deposits this year. "This is a housing issue," League President Edwin Brooks declared. "There is no guarantee the funds acquired by commercial banks will go into housing." The S&Ls are the primary funders of housing.

Some observers, including many regional bankers, have tended to view the issue as a battle between the small savings institutions and small commercial banks to attract depositors. A fundamental restructuring of the U.S. banking system is at stake. A coalition of the money-center banks led by Citibank, the Carter administration, and the regulatory agencies led by the Fed have adopted a policy of shrinking the U.S. banking system, from its current 15,000 bank level to approximately 30-40 banks carrying on 80-90 percent of the country's banking business.

The Comptroller of the Currency, whose chief John Heimann also sits on the Deregulation Committee, had done a secret in-house study of this policy. Hei-

mann refuses to release the report to Congress until Congress passes the Extraordinary Acquisitions Bill, which would help facilitate a series of mergers leading to the bank centralization.

Congressional hearings on the Deregulation Committee's actions have been scheduled for July 2, in the House Banking Sub-committee on Financial Institutions chaired by Rep. F. J. St. Germain (D-N.Y.).

Conferences

EIR seminar analyzes U.S. weakness

"The United States is currently arming itself for a war it will lose," Dr. Steven Bardwell told an audience of 30 diplomats, Pentagon officials and other U.S. government representatives in Washington, D.C. June 25. Speaking at a seminar titled, "Can the U.S. Avoid Strategic Disaster?", Bardwell documented the erosion of U.S. military strength in recent years and the gains achieved by the Soviet Union. The cause, he concluded, is the opposite investment policies pursued by the two: while the American economy has sunk into industrial obsolescence, the U.S.S.R. has poured resources into basic industry and high technologies, gaining a fundamental strategic advantage combined with the superiority of its manpower.

Bardwell, a plasma physicist, described his own visits last year to Soviet R&D facilities and went on to discuss the current debate in the U.S. over a military buildup. Under the present circumstances, he said, America's industrial capacity has deteriorated to such an extent that efforts to divert substantial resources to the military will run into basic bottlenecks, such as steel shortages for transport equipment to move the military hardware!

Bardwell was followed by *EIR* Contributing Editor Criton Zoakos, who analyzed the strategic thinking that has fostered industrial and military erosion

in the U.S. "The United States has not had an elite" committed to the continual development of the nation since John Quincy Adams' presidency, Zoakos said, noting that it was American patricians like McGeorge Bundy who created the environmentalist movement.

The Washington seminar was the latest in a series being held around the U.S. to present the method and result of *EIR* economics studies utilizing the computerized LaRouche-Riemann model developed by the Fusion Energy Foundation, which cosponsored the Washington event.

Auto

European slump hits U.S. manufacturers

After a five-year boom, the West German auto industry appears to be entering a recession caused by rising gasoline prices and declining real personal incomes in Western Europe. The number of passenger cars produced by the West German auto industry in May was 301,300, nearly one-fifth below the May 1979 level.

Ford-Werke and Opel, the German subsidiaries of Ford and General Motors, have been hit hardest by the sales slump. Their range of models is heavily weighted toward larger, ostensibly less "fuel-efficient" cars, and they are more dependent on exports to other Western European countries whose markets are weaker than that of West Germany.

Ford-Werke has had to place 13,000 of its 57,000 employees on shortened workweeks, while Opel plans to reduce its 42,000-strong workforce at Rüsselsheim by 4,000 before year-end. Ford's U.K. division has also sought to recruit 2,300 volunteers for "early retirement," citing poor demand in European markets "which must be expected to go on for some considerable time."

The declining profitability of its European operations is a particularly bad omen for Ford, whose parent company in North America stands to lose \$2.5

Briefly

● **THE U.S. TREASURY** is planning a major surprise, according to a Philadelphia financial specialist who was told this week by a Treasury contact to "buy the latest-month gold future you can."

● **TWO LEADING MIDEAST** countries, one rumored to be Abu Dhabi, have physically moved their gold holdings from depositories in London to banks in their own countries, after the British Foreign Office confirmed June 25 that the Saudi Arabian government has put on hold Britain's \$1.8 billion worth of export contracts there. The freeze follows the U.K. government's BBC-TV broadcast of the anti-Saudi "Death of a Princess" film.

● **A CARTER ECONOMIC** official, commenting on Treasury Secretary Bill Miller's famous trip to the June 22-23 Venice summit on a commercial class flight rather than the presidential Air Force One, said, "It was deflationary."

● **ROBERT BERGLAND**, U.S. Secretary of Agriculture, told a hostile hearing before the Senate Agriculture Committee June 25 that "the U.S. government is going to stay with the Soviet grain boycott," which he claimed has "kept the heat on the Soviets."

● **MEXICO**'s Federal Electricity Commission of Mexico has ordered a 20 percent cutback in electricity use in such vital industrial belts as the Valley of Mexico. The worst Mexican drought in several decades has severely drawn down the water level in dams supplying hydroelectric power, which accounts for almost a third of total electrical supply. Most observers believe the drought is caused by U.S. weather modification projects in the southwestern states. Some observers believe it is deliberate on the Carter administration's part. Among the latter group of observers are certain Mexican officials.

billion this year. Recently, Ford revealed that it had borrowed more than \$500 million from its West German subsidiary at an interest rate of about 8 percent.

Energy

Scientific committee calls for doubled fusion budget

The review panel on thermonuclear fusion power appointed by the U.S. Department of Energy released its report June 23. Committee scientists recommend a fusion program aimed at building an engineering test facility within the next decade and a commercial demonstration plant before the end of the century. The committee, headed by Bell Laboratories chief Sol Buchsbaum, recommends doubling the fusion budget over the next five years to build the next generation larger-scale fusion machines.

A fusion engineering center headquartered at one of the national laboratories or at an industrial center should manage the large devices, the committee recommends, and industry should be heavily involved from the beginning.

The House Appropriations Committee has voted to add \$20 million to the recommended \$336 million fiscal 1981 budget for fusion, compared with \$396 million requested by the DOE and \$446 million passed by Rep. Mike McCormack's (D-Wash.) authorization committee. The Buchsbaum report tempered its own recommendations by proposing that the Lawrence Livermore tandem mirror program and the Elmo Bumpy Torus program at Oak Ridge be slowed down, in an apparent show of "fiscal responsibility" by committee scientists.

The June 22 *Los Angeles Times* quoted DOE Fusion Director Ed Kintner and fusion scientist Stephen Dean declaring that only funding is pacing the fusion program, not scientific obstacles. Washington sources say that the White House belatedly tried to intervene in the Congressional appropriations process

through science adviser Frank Press, but "Congress is still convinced that Carter is serious about trying to balance the budget."

Resources

Court decision doesn't ensure Western water

The U.S. Supreme Court unanimously voted June 16 to exempt the large, intensively irrigated farms of California's Imperial Valley from the 1902 Congressional Reclamation Act. The law forbids supply of cheap, federally funded water to farms over 160 acres in size. The court ruled that 1928 legislation specifically entitling the Imperial Valley to Colorado River water from a federally constructed canal is bidding in the matter. The decision is optimistically expected to apply to all large-scale irrigation users in the United States.

However, specialists say that in view of Arizona state legislation passed a week earlier, the West as a whole still has its water supplies in jeopardy. The Arizona law dictates stringent controls on groundwater use, mandating strict conservation practices and zero-to-negative-growth policies for all major agricultural users, and also industrial and municipal consumers.

This is the first major legislation in U.S. history affecting groundwater, whose unrestricted use through natural reservoirs has enabled entrepreneurial farmers in the West to expand—and to expand state tax bases. This growth established the precondition for financing the capital investment required for in-depth multipurpose regional surface water supplies for both agriculture and urban areas, including hydroelectric power, flood control, and navigation as well as irrigation. Experts view this form of water policy as superior to "conservation" because it aids capital-intensive farming methods which reduce overall energy consumption per unit of production.