

Business Briefs

Science and Technology

Clarke: administration committed to fusion

Speaking at the dedication of the Texas Experimental Tokamak at the University of Texas at Austin, Dr. John Clarke of the Department of Energy affirmed the Reagan administration's commitment to the development of fusion energy. Clarke stated that the administration intends to fully implement the McCormack Magnetic Fusion Energy Engineering Act of 1980.

Despite President Reagan's efforts to decrease overall federal spending, Clarke pledged that the administration will not diminish the fusion effort. To the Reagan administration, he said, fusion represents an extremely optimistic, "supply-side high technology."

Clarke remarked on the enormous progress in fusion research, from a state where it was not known whether fusion could be controlled, to the actual demonstration of commercial feasibility today. He stated that the abundant energy supplied by fusion would increase living standards not only in the United States, but would permit the nation to increase living standards throughout the world.

Foreign Exchange

Market 'stalemate' prelude to new storms

Pressure on the French franc and German mark have eased largely due to technical factors. U.S. three-month Eurodollar deposits slipped down to 18.5 percent from over 19 percent earlier in the week, and on May 28, Chase Manhattan announced it was reducing its prime rate from 20.5 to 20 percent.

The Belgian central bank took advantage of the downward move of dollar rates on May 25 and cut its discount rate to 13 percent, a full percentage point. French and German authorities have less maneuvering room for interest-rate

reductions. May 26, French Prime Minister Pierre Mauroy defended the recent rise of the French discount rate to 22 percent, saying the action "should have been taken much earlier."

A New York Federal Reserve official commented May 29 that German central bank officials would advise no reduction of rates be permitted, because "the mark is still vulnerable." The mark has been hovering between 2.33 and 2.34 to the dollar. The cessation of the extraordinary speculative attack on the mark and franc following the recent French elections is "largely technical," the Fed official noted. How long this pause lasts depends on what policy initiatives the new French government launches on agricultural pricing, and other issues affecting the European Monetary System currency support network.

Labor

Heritage trap for Reagan on Davis-Bacon Act

Sources close to the Washington, D.C.-based Heritage Foundation say that the Reagan administration is being maneuvered into a confrontation with the building trades unions over proposed changes in the Davis-Bacon Act, which effectively mandates union-scale wages on federally funded construction projects.

These sources say that the Reagan White House will not go for a full repeal of the act, which was established during the Depression. Instead, Labor Secretary Donovan is prepared to take action sometime next month to change by administrative order the way that "prevailing wage" levels are determined, to not mean "union-scale."

The Heritage Foundation sources are claiming credit for the new proposals, which they view as an opening for full repeal. Accordingly, the various Heritage avenues into the offices of Senators Don Nickles of Oklahoma and Orrin Hatch of Utah are advising the senators not to push any repeal legislation, but to offer critical support to the Donovan

administrative initiative.

"This avoids forcing the administration to come out now against repeal," said an aide to Senator Nickles. "The Donovan move will kill them with the building trades. Then once the building trades start attacking Reagan, we can come back and start working for repeal." The aide said that he expected to move for repeal in a serious way by 1982—with Reagan backing.

Energy

DOE makes some constructive savings

Energy Secretary James Edwards has embargoed a mammoth two-year study commissioned by pro-environmentalist Rep. Richard Ottinger (D-N.Y.).

The study, advance copies of which were leaked to selected news media, is an analysis of projected energy demand by the year 2000.

Carried out by Denis Hayes, Carter's head of the Department's Solar Energy Research Institute, the document envisions total energy consumption in 2000 at 25 percent below present levels, with almost no oil imports, phaseout of nuclear and 20-30 percent from wind, solar and wood.

Ottinger is reportedly upset about the possibility that his "negative energy" study will not see the light of day.

Domestic Credit

Senator Long blasts high interest rates

Senator Russell Long, Louisiana Democrat, blasted the New York banks for their dictatorial control of high interest rates and the entire Federal Reserve in a speech before the Houston Conservative Forum May 28. Long said "the average person doesn't control the Fed any more than the average banker; the New York

bankers run the Fed, and the President doesn't want to oppose them right now.

"Congress can act to regulate the Fed, but with 100 senators and 435 congressmen you have too many opinions—only the President can take the lead."

He related his own experience when he tried to appoint a qualified friend to a regional Fed board, saying that "he had about as much chance of getting past the boys in New York as he had of flapping his arms and flying to the moon."

In calling for the President to take the lead against high interest rates, Long also praised those moderate and conservative Democrats who remained in the party. "Without them, we will become like the British Labour Party."

He called on Democrats to act in the spirit of bipartisanship of the Lyndon Johnson/Sam Rayburn congressional leadership during the Eisenhower administration. "We were in the minority in 1952, with a popular Republican President in the White House; LBJ and Sam supported him when he was right, and offered constructive criticism when he wasn't. Despite an Eisenhower landslide in 1956, the Democrats were able to sweep ruling majorities in both Houses of Congress as a result of this effective bipartisan leadership."

Agriculture

Water policy planning in dispute

Congressional committees are challenging an administration plan to replace existing water resource planning agencies at the federal and regional level with a single Office of Water Policy within the Interior Department.

The administration has proposed a \$111.5 million budget savings over the next two fiscal years by eliminating both the Water Resources Council and the Interior Department's Office of Water Research and Technology, along with six regional river basin commissions, and concentrating planning and R&D in a new, scaled-down Interior division.

Committees in both the House and

Senate, backed by the Army Corps of Engineers and others, have offered alternative plans based on restructuring the existing agencies. Senate bill S. 1095 would set up an independent cabinet-level water policy board to advise both the Congress and the President on water resource matters. It would be headed by a presidential nominee not associated with any of the water-related agencies such as Interior, Agriculture, or the Army Corps. The House version of this proposal, H.R. 3432, differs only in that it would expand the board to include two members of the Congress.

Both bills would continue federal grants to states for water planning as well as to the six river basin commissions.

Fiscal Policy

Stockman threatens Social Security collapse

Office of Management and Budget Director David Stockman told the House Ways and Means Committee May 28 that unless the administration's proposals to slash Social Security benefits are implemented, the system will face "the most devastating bankruptcy in history on or about Nov. 3, 1982," the *Journal of Commerce* has reported.

Stockman threatened that Social Security and Medicare, if "left unchecked," would "consume 60 percent of the domestic budget by 1995, up from 39 percent in 1981." Stockman added, "The growth of future benefits must be slowed for the solvency of the trust funds and to permit national fiscal solvency as well."

Stockman is lying. His projections, as *EIR* as reported, are based on the population work of Mont Pelerin Society demographer Rita Ricardo Campbell of the Hoover Institute, whose analysis incorporates the assumptions of the Carter administration's *Global 2000 Report*. Campbell's analysis says that the productive working population of the U.S. will enter negative growth during the coming period, while the percentage of the nation's aged will rise from the current 11 percent to over 22 percent.

Briefly

● **THE U.S. LEAGUE** of Savings and Loans is putting "tremendous pressure on President Ronald Reagan to fire Federal Reserve Chairman Paul Volcker," New York banking sources claimed this week. "Volcker could lose his job soon," they said.

● **ALAN GOTTLIEB**, the Canadian foreign ministry's undersecretary for external affairs, is preparing the report on North-South development issues for the July Ottawa heads of state economic summit. It will reportedly endorse the proposals of the Brandt Commission for population reduction in the Third World.

● **FRANK SOUTHARD**, former executive director of the Atlantic Council and head of the IMF Per Jaccobsen Foundation, this week predicted "major Third World debt renegotiations" in 1981. "There will be crises in a host of countries, and some \$65 billion worth of old debts will be renegotiated," he said. "The price will be, however, that about \$15 billion in new money desperately needed for imports will not be lent."

● **THE NATIONAL** Association of Auto Dealers announced this week that Fed Chairman Paul Volcker's high interest rates have "wiped out" most of the profit margin on the average car. The interest-rate cost of maintaining a car in a lot is now some \$500, they said, which is roughly the size of the average profit on a \$6,000 car.

● **KIKA DE LA GARZA**, the Texas Democrat who chairs the House Agriculture Committee, recently announced that the committee has completed preliminary work on the 1981 omnibus farm bill. De la Garza noted that the projected bill is outside the limits imposed by the new budget resolution, and said that "some reductions from the current draft" of the bill may be necessary.