

# Business Briefs

## Research & Development

### Japan to press high technology cooperation

The Japanese government will propose a joint international research effort on advanced technology at the seven-nation Western economic summit in Versailles this June, according to the *Mainichi Shimbun* newspaper. In early April, Japan's Ministry of International Trade and Industry (MITI) will report details of the proposal to Prime Minister Suzuki. Areas included are industrial robotics, communications satellites, and optical communications.

MITI has already worked out comprehensive proposals to facilitate technological exchange between Japan and the United States, according to the *Nihon Kezai Shimbun*, and will soon suggest that a bilateral working group be established to put them into effect. Joint development of the fifth-generation computer and of biotechnology are included.

On March 29, the Japanese Agency of Industrial Science and Technology announced that one of its laboratories has succeeded in operating Josephson logic gates at a very high speed for the first time in the world. This marks the first step toward the development of a "super-computer," the laboratory stated, according to Jiji press service.

## Housing

### Mortgage bonds pushed by investment managers

President Reagan's recent proposals on the U.S. housing industry will, according to spokesmen for the insurance and pension sectors, allow implementation of Carter administration proposals to give the homebuilding industry over to the insurance companies.

According to an economist at a leading U.S. insurance company, the President's proposals entail converting home

mortgages into mortgage bonds carrying "market interest rates of 16 to 17 percent."

"Our company," the economist said, "is highly favorable to existing GNMA passthroughs and we want to buy plenty more because of the high rates."

A leading West Coast pension expert claimed that the President's proposals will open up the possibility of tough laws to allow creditors to evict and collect against mortgages, abolition of all state usury ceilings, and a federal override of local zoning laws to allow homes one-third the size of existing homes, and more homes per plot.

Such miniature homes, consisting of one room and a kitchen, are called "granny houses," and are illegal in most communities.

"We just have to make people understand they have no God-given right to a house and the idea of suburbia is dead," the pension consultant stated.

## Domestic Credit

### Fed to continue its interest-rate hikes

Paul Volcker's Federal Reserve has begun raising interest rates again and will continue to do so, a leading Wall Street economist said March 31. "There will be no change in interest rate policy," after the Fed's Open Market Committee end of March meeting, said E. F. Hutton's chief economist William Yardeni. "There will be tight interest rates for at least another month," he told *EIR*.

Asked whether Volcker's continued squeeze will cause corporate bankruptcies, while the "free-market" faction in the White House sits by, Yardeni said, "What they are doing is crossing their fingers. This is riverboat gambling" with the economy. "It's one of the scariest things I've ever seen. Growing bankruptcies of corporations could bring down the entire monetary system," he said, noting that if large bankruptcies break out, the banks cannot continue to roll

over corporate loans.

Yardeni also predicted that given this interest-rate environment, "the U.S. budget deficit could be \$140 billion in 1983. If you cut \$30 to \$40 billion, you will still get a \$100 billion deficit, so what good would it do?"

Also given Volcker's interest rates, "there might not be any recovery. I'd have to see it to believe it," he stated. "The real rates of interest are so high there there is simply not the environment in which lending to the economy can occur."

## Gold

### Swiss banks admit Soviets not dumping

Swiss banking sources this week admitted that the major factor behind the current drop in the world gold price is not dumping of gold on open markets by the Soviet Union, as has been claimed by most gold traders over the past weeks.

The real story—which *EIR* was the first to break last June—is that the old Italian and British families have been dumping their private hoards, and encouraging Third World small gold holders to dump as well, while buying quietly on the side. The Soviet Union, for its part, has not materially increased its sales on world markets.

A source at a major Swiss bank told a journalist at the beginning of April that indeed the Soviet Union has not been dumping gold on the market, but rather using it off the market, in deals with Western central banks.

The Soviets, the Swiss source said, have been using the gold as "collateral" for loans, and have used from 6 to 9 million ounces of gold, with a market value of \$2 to \$3 billion dollars. The source was unable to say how much the Soviets have raised in dollar loans in this fashion.

Most of the collateralized loans have been done by the leading Swiss commercial banks, such as Union Bank of Switz-

erland, which has long had a gold-market business relationship with the Soviet Union, sources said. The Basel-based Bank for International Settlements is also said to have made at least one loan to the Soviet central bank.

### *International Credit*

## **Group of 30 proclaims end of the dollar**

The Group of 30, the bankers' advisory group to the International Monetary Fund headed by former IMF Executive Director Johannes Witeveen, issued a report March 26 decreeing the end of the U.S. dollar as the leading world reserve currency. The Group of 30 since its formation has been dedicated to ending the dollar system and to the imposition of the IMF and World Bank as supranational governing agencies over the world banking system.

The G-30 reports on a survey they conducted of 22 major central banks in the Western OECD nations, OPEC, and the LDCs, which together hold over half the world's \$350 billion foreign-exchange reserves. The results show, they say, "that several leading industrialized countries" as well as all the respondents "have been diversifying some of their own reserves into currencies other than the dollar over the past five years." The G-30 announces that as a result the world now has a "de facto multi-currency reserve system."

"We tend to lose sight of what an incredible change has taken place with central banks since 1973-74," G-30 leader Geoffrey Bell of Schroeders Bank stated. "They used to stick exclusively with the dollar. But as the system has become more volatile, they have become more active" and gone out of dollars.

According to the Institute for International Economics, a group close to the G-30, the portion of U.S. dollars in world central banks' total reserves outstanding has fallen from 85 percent at the end of 1978 to 65 percent at the end of 1981. Of

the total net new reserves added to the system during that three years, more than two-thirds have been in non-dollar currencies, such as the German deutchemark, Japanese yen, and the Swiss franc.

### *Agriculture*

## **Hearings probe crisis in U.S. farm sector**

More than 20 percent of all farm-equipment dealerships nationwide have been forced out of business in the last five years, according to Chuck Brown, an implement dealer from Wheatland, Wyoming. Brown was addressing a fact-finding hearing at the Producers Livestock Marketing Association sale barn in Greeley, Colorado on March 25. The hearing was one of nine such sessions being held throughout the country by the National Farmers Union.

Brown's testimony, along with that of 30 other witnesses, including farmers, ranchers, bankers, and other rural businessmen, underlined the fact that the financial crunch in agriculture is already threatening the stability of most other rural business. Another equipment dealer testified that the increase in farm foreclosure sales this year has dropped the bottom out of machinery prices.

Due to declining machinery and land prices, farmers are losing equity rapidly, a development that is compounding the already severe credit crunch farmers face. One witness at the Greeley hearing, a dryland wheat farmer, reported that his \$114,000 interest rate bill for 1981 was as large as his entire gross income in 1978!

At a second hearing in Noblesville, Indiana, an Ohio grain producer called for lower interest rates, a 100 percent parity policy for farm exports, and an end to threats of grain export embargos as the program to halt the collapse.

Testimony gathered at the hearings will be compiled into a document for distribution to all members of Congress and administration officials.

## *Briefly*

● **THE BUNDESRAT**, the Upper House of West Germany's parliament, has rejected the program for jobs creation proposed by Chancellor Helmut Schmidt. The \$5.2 billion jobs-creation program needed parliamentary approval for a 1 percent increase in the value added tax to finance the plan. The March 29 rejection is a setback for Schmidt.

● **GATT**, the world trade watchdog body, reported March 29 that the absolute volume of world trade fell 1 percent during 1981 versus 1980 to under \$2 trillion. As *EIR* documented, this major slump is a total reversal of previous years of world trade growth. World trade grew a full 20 percent in real terms during 1980, so the shift is in fact a negative 21 percent swing. GATT blamed the fall in trade on the strength of the U.S. dollar and to high dollar interest rates, which, it noted, discouraged export lending.

● **WHARTON** Econometrics, in a study on the U.S. savings & loan industry, concludes that the current U.S. Treasury policy of forced mergers of S&Ls is prohibitively expensive. The study, one of Wharton's first correct projections, notes that so many S&Ls are now reaching bankruptcy that for the federal insurance agencies to continue to seek to merge weak thrifts with stronger ones will cost the Treasury up to \$84 billion over the next three years.

● **PETE DOMENICI**, the Republican Chairman of the Senate Budget Committee, has some strange allies in his fight against President Reagan's budget proposal. Domenici has called for Reagan's budget to be cut according to the specifications of Fed Chairman Paul Volcker, by about \$20 billion. Domenici's "alternate" budget, Capitol Hill sources said March 30, was written by aides to liberal Democrat Henry Reuss (D-Wisc.).