

Business Briefs

Currency

Craxi: 'In 1985 we'll have heavy lira'

"We have to wait for the consolidation of the economy, but the government decree on the heavy lira [1 new lira for each 1,000 old lire] is already prepared," Italian Prime Minister Bettino Craxi stated during an informal exchange with journalists on Dec. 23. Craxi added that the process of change from the old to the new lira will be gradual, and for a certain period the old lira will circulate alongside the new one. He also declared, "I would like to have some nice new coins when the heavy lira is introduced."

In October 1980, Lyndon H. LaRouche proposed a credit reform for Italy based on a "heavy lira," in a work titled *A Gaullist Solution to the Italian Monetary Crisis*, published in Italy and the United States.

Craxi's plan, according to some sources in Rome, would merely be a technical measure to upgrade the Italian currency's position in relation to other currencies. LaRouche, on the other hand, proposed a reform based on a two-tier credit system favoring productive investments and placing punitive interest rates on other activities, particularly those of the "black economy."

The question of Italy's economic health, as opposed to merely the speculative valuation of its currency on international markets, will depend on the nature of the heavy-lira measure Craxi adopts.

Economic Theory

Swiss commemorate Thomas Malthus

With a lengthy feature published on Dec. 30, the primary mouthpiece of Swiss financial circles, the *Neue Zürcher Zeitung* (NZZ), sung the praises of Thomas Malthus, died 150 years ago on Dec. 29, 1834. The article was headlined: "The Real Thomas Robert Malthus."

NZZ writes that Malthus achieved prominence when still young, and that his main opus, *An Essay on the Principle of Popula-*

tion, had "far-reaching effects on [today's] development policy approach." NZZ concedes that Malthus has been proven wrong in his predictions that population growth means famine, but adds that his theories do seem to apply to Third World problems, and that "if one does not take Malthus literally, one can see that his basic considerations have practically made their way into all large institutions which are active in the field of development policy. Without putting the brakes on population growth, development in the Third World seems to be impossible; this notion is—however moderate—a form of Malthusianism."

NZZ continues with the following interesting passage: "Malthus's treasure of thoughts reached new vitality with the emergence of environmental economics and with the publication of the first report of the Club of Rome, the bestseller *Limits to Growth*, in 1972. In many respects, this study, produced at the Massachusetts Institute of Technology, was nothing but an applied version of the *Essay*, which posed exponential growth against limited resources."

While the MIT study comes to different results in some respects, writes NZZ, "The basic problem remains the same: In a limited world, unlimited growth is not possible."

The article illustrates the witting commitment of Swiss banking institutions to using lending policies to effect genocide in Third World nations.

Famine

'Africa: not just aid but modern technology'

In his traditional New Year's speech, Italian President Sandro Pertini declared that he is convinced that "famine cannot be fought seriously by only occasionally sending a few tons of food aid. We should rather create a source of permanent life in those countries, using modern technology."

Only days before, the office of the President had received a delegation from the Schiller Institute which presented the Declaration on the Inalienable Rights of Man to a presidential spokesman and briefed him on the results of November's Third Inter-

national Conference of the Schiller Institute in Washington.

A leading subject of that conference was both food aid to Africa and the use of modern-technology to develop the continent on a long-term basis.

Space

Pravda attacks shuttle as preparation for war

On Dec. 30, the Soviet Communist Party paper *Pravda* attacked American plans for the next shuttle flight as indicating "preparations for Star Wars" by the United States.

Pravda commentator Yuri Zhukov wrote: "Soon after the Geneva [arms-control] meeting . . . a spaceship with a top-secret military mission will be launched in the United States. It will 'suspend' a particularly important reconnaissance satellite over the U.S.S.R. at an altitude of 22,500 miles."

"It is not concealed in Washington," Zhukov continues, "that the purpose of the launching of the satellite, which costs \$300 million, is to show that the Ronald Reagan administration continues preparations for 'Star Wars' which it does not intend to give up."

The shuttle flight, Ahukov insists, shows that "American generals do not hide the fact that, no matter how the talks go, they are preparing to continue the arms race, which is fraught with catastrophic consequences."

The Invisible Hand

Argentine speculators suck out \$42 billion

Argentine speculators have been rewarded with over \$42 billion taken from the productive sectors of the economy, according to a study published in the Buenos Aires daily *Clarín* on Jan. 2. Author Marcelo Bonelli pointed out that this sum amounts to \$1,395 for every Argentine, equal to what a worker earns in a year; the total is almost equal to the foreign debt.

Briefly

He notes: "Subsidies and transfer payments which the community made to the financial system since the reforms of 1977 can be evaluated at 41.896 billion current dollars."

This figure does not include the indirect costs of loss of that capital; what would have been gained had it been reinvested in productive activities? Nor does it include the social costs. Productive reinvestment would have brought an average growth rate of 3-5%, which would have meant \$34 billion in added output. If it had been productively reinvested, government revenues would now be 60% higher, and the foreign debt would not be strangling the productive process, says Bonelli.

The subsidies he quantifies include \$10 billion from usurious interest rates, \$11 billion from "the monetary regulation account," \$7.5 billion from guaranteeing favorable exchange rates on "swap loans," \$3.7 billion worth of government deposits used to bail out banks which then failed, and \$3 billion in various swindles.

All of the other looting devices were legal measures set up by monetarist Finance Minister José Martínez de Hoz, one of Henry Kissinger's closest friends in Argentina.

Technology

Cal Tech to build giant telescope

The California Institute of Technology has announced that it will build the world's largest telescope—powerful enough to detect the flicker of a candle on the Moon—on the site of the extinct Mauna Kea volcano in Hawaii.

The new 10-meter telescope "will be able to look back in time to 12 billion years ago, which is nearly three-quarters of the birth of the Universe," said Cal Tech's president, Dr. Marvin Goldberger. The telescope will be four times more powerful than the 5-meter Palomar telescope operated by Cal Tech, which has been the premier instrument in astronomy since 1948.

Astronomers will be able to collect more light and therefore study a volume of space eight times greater than previously possible.

One of the astronomers working on the design of the new telescope called it a "time machine," because the light gathered from distant objects left those objects billions of years earlier. "We will be able to really see the universe when the galaxies were forming and clusters of galaxies were forming and see how it all began," he said.

The \$85 million telescope will be named after the W. M. Keck Foundation, which donated \$70 million for the project.

President Reagan sent Cal Tech officials a telegram hailing the venture as one that "excites the imagination of anyone who has ever looked up at the stars in wonderment."

Agriculture

Farm prices continue to fall

Prices that farmers receive for raw farm products fell a further 2.2%, the fifth consecutive monthly decline, and fell below prices a year ago for the first time in 16 months, according to government sources on Dec. 31.

For December, lower prices for oranges, cotton, soybeans, broilers, and milk pulled down the average. Declines were offset partially by higher prices for hogs, cattle, hay, and turkey.

December prices were at 54% of parity, the price at which the farmer breaks even. In December 1983, prices were at 57% of parity.

David Stockman and his wing of the administration are calling for farm-support cuts, according to the *Washington Post*.

In early January, Stockman called for elimination of the USDA dairy program, which cost \$6.1 billion over the last three years, and a reduction of limits on direct payments to participants in commodity programs from \$50,000 a year to \$10,000 per farmer.

Stockman has also urged a shift from direct farm loans to federal loan guarantees, which would throw farmers to the mercies of private commercial bankers. He also wants to reduce target prices, which determine how much grain, rice, and cotton the government buys directly when prices are low.

● **CHASE** Manhattan Bank is discussing selling its Chase Econometrics subsidiary. Potential buyers include McGraw-Hill, which also owns Data Resources, Inc., a major econometrics firm. One source commented on Chase Manhattan's reason for wanting to sell: "Parts of the econometric sector have been somewhat depressed." In light of the subsidiary's record on economic forecasting, *EIR* suggests that perhaps Chase Econometrics could be marketed as a home video game?

● **DEFENSE DAILY** reported on Jan. 4 that a study on the "feasibility of a microwave warhead will be conducted by Mission Research Corp. [Santa Barbara, California] under a contract from the Air Force Armament Division, Eglin Air Force Base, Florida." Such a warhead is a defensive weapon, whose high-altitude detonation would produce a shield against missile attack. Dr. Lowell Wood of Lawrence Livermore National Laboratory reportedly stated before Congressional hearings that such a system has the potential to destroy "entire fleets of ICBMs with a single weapon module lofted by a single defensive missile."

● **THE WALL STREET Journal** has shifted its editorial position to one of support for the U.S. position at Geneva that the Strategic Defense Initiative is not a "bargaining chip." In an editorial on Jan. 3 entitled, "The Meaning of Geneva," the *Journal* ridicules Mutually Assured Destruction as a doctrine, and states, "The current trends in military technology, if left to work themselves out, might serve the primary goals we now seek through arms control," namely, peace and security. *The Journal* concludes: "The administration is not likely to give away the targeted programs, anti-satellite weapons and strategic defense."