# Business Briefs

*Labor*

## Synfuel projects hire non-union workers

The construction of the first oil shale development plants in Colorado is now using between 400 and 500 employees of non-union labor. While the two initial oil shale projects are not receiving federal money, and therefore are not accordingly covered by the Davis-Bacon law which specifies that union labor and wage rates be used, the companies involved are getting government contracts elsewhere on their synfuels projects.

The oil shale projects are being constructed in the northwest part of Colorado called the Rangeley area. The first project is called Rio Blanco, a consortium of Standard Oil of Indiana, Gulf Oil and Tenneco. The second project is being run by Occidental Petroleum. According to one Colorado building trades union official, 400 to 500 pipefitters, welders, electricians, etc. are being hired on a strictly non-union basis. This union official said the building trades in the state of Colorado see this as an attempt to set a precedent for the entire government-funded synfuel program.

*Regulatory reform*

## Dereg 'fundamental,' says President

President Carter's new "revitalization" program is short on detail, except for the new deregulation plan for the economy being implemented. In his Aug. 28 policy speech, the President cited deregulation of trucking, airlines, rail, banking, and communications as "the most fundamental restructuring of the relationship between industry and government since the New Deal."

The restructuring of the economy through deregulation has been dramatic, in some ways that the President was not anxious to emphasize. Airline deregulation left the major carriers with shattered profits, pared-down routes, cut corners on maintenance, and a combination of mergers and liquidations promised for the next year. Trucking deregulation has already claimed a half-dozen major common carriers, and will disrupt service to rural areas protected by the now-abandoned route authorization system. Rail deregulation is bitterly contested by utilities, who have to pay drastic hikes in carrying charges for coal. And banking deregulation under this year's "Omnibus Banking Act," sponsored by House Banking Committee chairman Henry Reuss, has cleared the way for national banking and a drastic thinning of the ranks of both smaller commercial banks and thrift institutions.

*Currency markets*

## Middle East buyers move into yen, Swiss francs

Foreign exchange traders in one of New York's top commercial banks were greeted at 9 a.m. Aug. 27 with wire reports on their desks saying that Middle East investors were dumping dollars and going into metals through the Swiss franc. A few hours later, Barclays London called its New York office and reported: "The Arabs are selling the dollar against everything." Another British bank told its New York office that the Mideast sell orders against dollars reached $400 million on European markets that day.

Mideast oil producers apparently began selling dollars in heavy volume on Aug. 25, but even many traders failed to take note since most of these funds went straight into Japanese yen. It is widely assumed that the yen purchases were occurring in connection with a tour of the Mideast by a top-level Japanese business community delegation. The Japanese are determined to increase sales of yen securities to Mideast investors to finance large borrowing requirements this year. Another factor which helped to encourage Mideast dollar sales was the announcement by the Swiss Central Bank late on Aug. 26 that it was lifting all remaining currency controls against foreign deposits in Swiss banks.

One foreign bank trader in New York insisted that Saudi Arabia had no part in the day's dollar selling spree. Private Mideast investors, and some central banks, "but only from the small countries, not Saudi Arabia," had sold $400 million that day, he stated.

*Fiscal policy*

## Carter's program: 'No tax cut'

Treasury Secretary G. William Miller told *EIR* at a briefing on President Carter's emergency economic program that the plan "is not intended as a tax reduction either for individuals or corporations." Tax cuts might come in the future, Miller said, but "the day is not yet here" when the federal government will cut taxes.

The first-year cost of the Carter plan will add an additional $6 billion to the administration's current $30 billion budget deficit estimate for fiscal 1981—and this builds in extremely optimistic assumptions about the behavior of the nation's economy. Also unexplained is precisely how the administration intends to "offset" the $17 billion rise in Social Security deductions scheduled for Jan. 1, 1980. Council of Economic Advisers Chairman Charles Schultze tried to avoid being pinned down on precisely how much of the increase would be offset.

*International trade*

## Deficit to prolong Bundesbank rate hike

West Germany ran a trade deficit in July for the first time in decades, according to reliable sources at the Bundesbank. The sources add that this year's current account deficit could be much greater than the DM 25 billion previously estimated by the government.

West Germany's worsening current account position appears to rule out a reduction in the Bundesbank's discount rate in the near future. On Aug. 27, Helmut Geiger, head of the West German Savings Association, stated that a 7.5-8.0 percent floor under domestic interest rates must be maintained to prevent a 1974-style collapse of the deutschemark. Most industry sources are nevertheless confident that the West German recession will be "mild," resting their hopes on a continued expansion of exports, especially to OPEC nations, and of domestic capital investment.

Gütehoffnungshütte, Europe's largest mechanical engineering firm, announced last week that group sales increased by 12 percent in the financial year which ended in June. Domestic sales rose by 13.2 percent and foreign sales by 10.6 percent. GHH, however, noted in a letter to shareholders that the pace of new orders slowed considerably in the last few months.

*Transportation*

## Coal shipping will hinder energy program

U.S. Department of Energy officials cite major technical problems in every one of the Carter administration's proposed methods of turning coal into gas or oil equivalents, and ridicule the President's target of 500,000 barrels of oil per day equivalent synfuels production by 1985. Nevertheless, synthetic fuels remain a linchpin of the Carter energy plan.

More imminent is the prospect of increased coal production to substitute for domestic oil output, which Treasury Secretary G. William Miller called "one of the most exciting things" the United States had ever done. Carter has created a Coal Exports Task Force, and will bring in the Army Corps of Engineers to discuss port problems. But the huge investments required to make such a program work have not even been calculated by the administration, let alone attempted by two of the nation's most moribund industries, rail and coal mining (see article, page 14). The entire plan looks only slightly more realistic than the synfuels extravaganza.

However, the administration is thinking in terms of gigantic concentrations of financial resources: the Economic Revitalization Board, to be co-chaired by DuPont executive Irving Shapiro and AFL-CIO chief Lane Kirkland, will discuss means of tapping the nation's pension funds for such investments—a precedent from 1930s Germany and Italy.

*Petrodollar flows*

## German press warns of OPEC money weapon

An Aug. 27 editorial in West Germany's *Frankfurter Allgemeine Zeitung* rebukes oil-producing countries for refusing to hand their funds over to the International Monetary Fund and World Bank. *FAZ* adds that "the world expects further warning shots from the Mideast. . . . According to estimates, the oil countries have about $160 to $180 billion in bank accounts in Western banks. This year another $100 billion will flow in, and the end to this is not yet forseeable," *FAZ* wrote. "The deposits from the petrodollar surplus . . . are for the most part lent on one-day, at the most on six-month maturities."

"The Eurobanks, however, lend these funds long-term, up to 12 years. With this emerges an additional danger for the West. Banks who have fallen into dependency on a small group of big Mideast creditors are vulnerable to pressure. The closely meshing ties between the banks do, indeed, work as a security net. But what happens if individual banks are put on an Arab 'black list' and deposits are suddenly withdrawn?" asks *FAZ*.

However, there is probably less danger of Arab pullouts from banks than Western intervention into the Arab world on the pretext of a "petrodollar threat."

# *Briefly*

- **DAVID ROCKEFELLER** and Walter Wriston are warning prominent U.S. Senators that major defaults on Third World loans are impending.

- **STU EIZENSTAT,** the President's domestic affairs adviser, says farmers have no problem. "Prices are going up because of the drought," he told *EIR*, "which will make up for their decrease in income due to the drought." Pressed on inconsistencies in this formulation, the adviser shouted, "I don't have to answer questions on farm policy!"

- **THE WORLD BANK'S** new energy plan presents the danger that "excessive concentration on energy matters could cause the World Bank to overlook more pertinent economic development matters in the developing sector," wrote the *Frankfurter Allgemeine Zeitung* Aug. 27.

- **GERMANY'S** Development Ministry warns in a new report that a "cheap food" policy for developing countries creates a vicious circle by preventing independent peasants from breaking even on food production.

- **U.S. TREASURY** officials are offering Saudi Arabia a major expansion in IMF voting power in hope of obtaining more petrodollars for the International Monetary Fund. But Treasury staff are pessimistic about the Saudi response.

- **ISRAEL'S** Federation of Chambers of Commerce revealed that business activity slumped 35 percent during the 12 months through July. Domestic and export orders fell by 42 percent, inventories by 48 percent and total employment by 16 percent. The Federation expects this trend to continue for the rest of the year. Increasing unemployment has led to one of the largest exoduses of Jewish families in modern times . . . out of Israel.