

Business Briefs

Trade

Japan sells Soviets steel pipeline

Japan has broken the post-Afghanistan anti-Soviet sanctions with a deal to ship 750,000 tons of steel pipeline to the Soviet Union for the natural-gas project Moscow is presently negotiating with Western Europe.

It had been expected that Japan would lift the sanctions following the firing of Foreign Minister Masayoshi Ito, a Haig ally, last May.

To get around OECD restrictions against Export-Import Bank interest rates lower than 8 percent, the financing for the deal is as follows: the steel firms are providing Moscow with suppliers' credits at 7.75 percent and the Japanese Export-Import Bank is in turn lending \$400 million to the steel firms at 8 percent, according to Japan's Kyodo news service.

Japan's decision to go ahead with the deal and to evade obstacles on the interest-rate question—which has been used to obstruct the European side of the deal—is likely to stiffen the resolve of Europeans to resist pressure from U.S. Secretary of State Haig at the July 20-21 Ottawa economic summit against the Siberia to Western European natural-gas deal.

Antitrust Policy

McCloy, oil companies oversee U.S. buyout spree

The hands-off attitude of the U.S. Justice Department regarding the speculative buyout of American industry by oil companies and London-Venetian fondi (family funds), was actually worked out in 1975 by John J. McCloy, the former high commissioner of postwar occupied Germany, who chaired the American Bar Association's Commission on Law and the Economy.

The commission's study was heavily financed by the Ford Foundation, as well as Gulf, Mobil, Exxon, and Arco oil companies, the very beneficiaries of the current buyout spree. The commission then filtered its people into high places in government.

One commission participant, Stanley E. Morris, was the deputy associate director for economics and government at the Office of Management and the Budget, and later deputy associate director for regulatory policy and reports management at the OMB, during the period 1973-1979. Morris is now deputy attorney general in the Justice Department, whose responsibility deals with antitrust legislation.

The current director of the Justice Department's Antitrust Division, William Francis Baxter, while not a member of the McCloy Commission, is a graduate of the monetarist University of Chicago, and spent 1968 working with Lyndon Johnson's Antitrust Task Force. He has spent most of his career at Stanford University, where he is a fellow at the Stanford Center for the Advanced Study of Behavioral Sciences, a brainwashing institute.

Foreign Exchange

Attack begins on the dollar

The U.S. dollar fell sharply on foreign-exchange markets on July 16, to DM 2.41 in Frankfurt compared with 2.44 yesterday and 2.47½ on July 11. The dollar's decline follows predictions from several leading British banks that the dollar would fall sharply as soon as interest rates in the United States were to come down.

In fact, the dollar is weakening despite clear indications that interest rates will not come down. Following what is expected to be an acrimonious exchange over American interest-rate and dollar policy at the Ottawa summit meeting July 20-21, the dollar is expected to get

clobbered as a result of currency warfare initiated by the British Thatcher government and the Mitterrand government in France. This follows a campaign by French Finance Minister Jacques Delors at the annual meeting of the Organization for Economic Cooperation and Development in Paris in June for a currency bloc in Europe counterposed to the dollar.

Britain's parliamentary delegation to the European parliament has already demanded that Britain join the European Monetary System to further this currency bloc, and British press comment predicts that Britain will join the EMS after the pound falls slightly further against the West German mark. From the Labour Party side, former adviser to Harold Wilson, Lord Lever, mooted a dollar crisis in a July 15 op-ed in the London *Times*, warning of the "destructive" and short-term nature of the international markets. The *Times* article is accompanied by a cartoon showing a dollar bill ripped in shreds.

Domestic Credit

Are high interest rates permanent?

The current high level of interest rates is now determining for many investors what appears to be a permanent plateau. This is the sense conveyed by the First Pennsylvania Bank in its July 9 newsletter. The bank states that the U.S. yield curve is inverted—that is, short-term maturities are at a 16 percent interest rate, while long-term rates of 30 years are 13 percent.

This is the reverse of what the yield curve should look like in a normal, healthy economy and First Penn believes that this is the way things may remain for a while. "The persistence of an inverted yield curve makes it unnecessary to 'reach out for yield' at the longer end of the maturity spectrum," writes First Penn.

Instead, First Penn outlines what it

thinks is the ideal investment strategy for a bear raid on the U.S. economy: keep 25 percent of one's investment portfolio in repurchase agreements, commercial paper, etc. that have a 1- to 30-day maturity level; keep 50 percent in short-term U.S. government agencies issues, which are 3 to 12 months; and another 25 percent in 2 to 4 year primary U.S. Treasuries and agencies. Keep zero in corporate bonds of 10 to 30 years' maturity.

Fiscal Policy

'Five Wise Men' berate German economy

The German Sachverständigenrat, more commonly known as the "Five Wise Men," unofficial advisory body to the West German government on economic matters, released a report July 7 that would significantly deepen Germany's economic recession.

The report states that there should be a linear cut across the board in all German federal budget programs, including social programs, health insurance, subsidies for agriculture, promotion programs for housing, construction, etc. The "Wise Men's" report admits that May industrial production in Germany is actually up 3 percent, primarily due to foreign orders.

However, the report states that the increase in German interest rates since the spring because of U.S. Fed Chairman Paul Volcker's high U.S. interest rates will damage the German economy. Instead of repudiating the damaging Volcker high interest-rate policy, the report warns of "risks" for further production.

The report attacks the German export program, saying that "there is no reason to base expectations on the old experience that internal demand and the domestic economy can be pulled along by exports."

Finally, the "Wise Men" blast the trade unions for high wage increases, even though wage increases in Germany

over the last year, as they admit, have only been 5 percent, probably the lowest wage increase demands in the advanced sector. The Wise Men call for lower wage increases to offset the deterioration of the German deutschemark also caused by Volcker's interest rates.

If you wonder why the "Wise Men's" report seems to be all wet, the reason can be found in the fact that they are run directly by the Mont Pelerin Society, the semisecret economics organization of the European oligarchy.

Research and Development

Genetic engineering produces results

Several weeks after announcing that genetic engineering research had produced a cure for hoof-and-mouth disease, U.S. Agriculture Secretary Block announced the development of a technology for successfully moving genes from one kind of plant to another.

"This breakthrough achievement opens a whole new era in plant genetics," Secretary Block said. "It is the first step toward the day when scientists will be able to increase the nutritive value of plants, to make plants resistant to disease and environmental stresses, and to make them capable of fixing nitrogen from the air."

Scientists at the U.S. Department of Agriculture and the University of Wisconsin have successfully transferred a gene that directs the production of major protein from its native location in the French bean seed into the foreign environment of a sunflower cell. The scientists have named the new plant tissue "sunbean."

The gene is stable in its new environment and is producing messenger RNA, the cellular vehicle that carries genetic information from the genes to the protein-synthesizing machinery of the cell. The scientists are now looking for the production of bean protein in the "sunbean."

Briefly

● **DONALD REGAN** held private meetings in Washington with European Commission President Gaston Thorn and agreed to a "common approach" to world economic problems with the Socialist Luxembourgish official. Treasury Secretary Regan will tour European capitals in the fall to discuss the "common approach," which reportedly includes cuts in the U.S. defense budget.

● **OTTO VON LAMBSDORFF** told the press that even if the United States lowers interest rates, the West German central bank has no intention of doing so. "West Germany still has a large budget and current account deficit," and must maintain tight credit, said the Free Democratic economics minister, criticizing the budget policy of Chancellor Schmidt.

● **U.S. LABOR** contracts up for negotiation may be headed into a confrontation with Reagan's budget-cutting program. Beginning with the current postal workers' contract, on which the National Association of Letter Carriers has already accused the administration of stonewalling, Budget Director David Stockman plans to increasingly intervene in labor negotiations to ask lower settlements in the name of "fighting inflation," Washington sources say. Other contracts Stockman is watching include upcoming negotiations in railway, trucking, oil refinery, rubber, apparel, electrical, food, and auto.

● **JOHN MUIR & CO.**, the go-go Wall Street investment bank, is under investigation by the Securities and Exchange Commission for the promotion of questionable new stock offerings of tiny companies. Disgruntled investors have lost heavily in the offerings, which tend to rise and then quickly plummet in price.