

## Business Briefs

### Domestic Credit

#### Congress threatens a Treasury debt crisis

The federal government could be shut down in early June if a coalition of Congressmen and Senators responsible for the borrowing power of the U.S. Treasury gets its way. A coalition of Republicans, led by Senate Finance Committee Chairman Robert Dole, House Republican Newt Gingrich, and House Democratic spokesman Henry Reuss are planning to put a "freeze" on the federal debt ceiling in order to try to force President Ronald Reagan to agree to cut the budget and raise taxes, their aides told journalists in mid-March. The Treasury's current borrowing ceiling of \$1,079.8 billion should run out in mid-May or by June 1, according to current rates of Treasury borrowing.

Moves are already underway in Congress to freeze the ceiling. In January, the Treasury sent a request to Senate Finance Committee Chairman Robert Dole and House Ways and Means Committee Chairman Daniel Rostenkowski to raise the Treasury's authority to sell long-term bonds of 10 years and over, which is currently set at \$70 billion total. The Treasury actually reached this limit in February, and has issued no long-term debt since, but has still received no response from the Congress, Treasury sources told *EIR*.

One source explained that the "Treasury will have to go the short term bond market, and pay higher interest rates, if it cannot raise the money it needs long-term." It is entirely possible, the source said, that Congress may never raise the long-term borrowing ceiling, forcing the Treasury further and further into the short-term borrowing market.

Given the current overall Treasury debt ceiling of \$1,079.8 billion, the source further estimated that the Treasury currently has some \$1,049.7 billion in debt outstanding as of the end of March, and would run into the ceiling by late May. According to the Treasury, "We will be

able to get by for a few days using the cash on hand, since tax receipts come in in April. But after that, the U.S. government will have to start cutting back operations."

### Energy

#### Argentina opens doors to world's nuclear waste

"What are you going to do with the waste?" the enemies of nuclear energy chirp with tedious monotony. Argentina has provided another answer to officials plagued by political restrictions on residue disposal in the advanced countries.

Vice-Admiral Carlos Castro Madero, the head of Argentina's National Atomic Energy Commission, announced last month that Argentina would open the world's first commercial nuclear depository in the unpopulated Patagonia province of Chubut. He explained that the facility should not be called a "dump," since the waste materials would be scientifically stored under international safeguards "and not just strewn around." He said that Argentina was able to help out other nuclear countries, "because we have no environmentalist problem."

Castro Madero admitted this Argentine move in favor of peaceful nuclear energy would stir choruses of "Argentina is building a bomb," which they are hearing anyway from such "distorting" media as *The Washington Post*, *The New Scientist*, and *Spotlight*.

In one of his repeated refutations of allegations that Argentina and Brazil were racing to get the bomb, Castro Madero had told Brazil's *O Globo* on Feb. 28; "The two countries do have the technical capability to make it, but . . . the two countries do not contemplate manufacturing the bomb because that would be a waste of investment and human resources. . . . when the countries so much need nuclear energy for their development."

Ironically the accusations also prob-

ably helped rally elements of Brazil's military which do not support peaceful nuclear energy to defend the nuclear program from the budget cutters.

The Argentine nuclear program has accepted a slowdown due to the radical budget cuts imposed by Swiss banker Roberto Alemann, the new economic czar, who is determined to dismantle national industries. The nuclear-waste facility would generate considerable revenues in users' fees, however.

### Banking

#### S&Ls lay case for bailout before Congress

Roy Green, Chairman of the U.S. League of Savings Associations, told the House Banking Committee March 18 that Federal Reserve Chairman Paul Volcker's high interest rates are destroying the S&Ls. "At the interest rates prevailing in February," Green stated, "we project that 1,100 S&Ls will fall below the critical 2 percent net worth [capital] level by the end of the year, that is, go bankrupt. If no government assistance is forthcoming," he added, "another 700 by the end of 1983" will go under.

Green noted that the Federal Savings & Loan Insurance Corp (FSLIC) simply does not have the financial resources to merge or otherwise prevent panic at the failure of so many S&Ls, and that in any case "the cost of liquidating so many institutions would be staggering. . . ."

Green and other S&L executives urged the immediate passage by Congress of a plan proposed earlier by the League for direct U.S. Treasury subsidies to S&Ls earnings. The plan would give the S&Ls a straight cash injection to allow them to continue making mortgages without having to pay such high interest rates. The U.S. League estimates its plan will cost some \$10 billion total.

House Banking Committee Chairman St. Germain issued a similar plan in February, but now believes the League's direct cash-subsidy formulation would in

fact cost the U.S. Treasury at least \$6.87 billion a year for each of three years of the plan, almost \$20 billion.

Instead, St. Germain has revised his "Home Mortgage Capital Stability Fund" (H.R.5568). St. Germain's new plan would provide for Treasury payments to the S&Ls' net worth account when capital falls below the 2 percent mark, which would keep S&Ls from bankruptcy but provide no new cash for mortgage lending.

## Trade

### Japan 'to join Comecon' if trade war worsens?

A top Japanese government official warned March 24 that "protectionist measures taken by the U.S. and Western Europe could force Japan to step up its trade with the Communist bloc and to begin exporting weapons around the globe," reported the *Los Angeles Times*. Kazuo Wakasugi, director of the Trade Policy Bureau of the Ministry of International Trade and Industry, added that if the U.S. and Europe went so far as to prohibit all imports from Japan—as French Foreign Trade Minister Michel Jobert has already threatened—then "politics would change here. There would be no benefit for Japan to remain a member of the free world. If that happened, we would probably join the Communist bloc. As for exporting weapons, we would not want to do this, but depending on the extent of the damage [the severity of trade embargo] there would be voices in Japan advocating increasing Japan's defense."

While Wakasugi's statements may sound outrageous, he is making the political point that, as in the 1930s, the postwar Japanese political system cannot survive a new depression and trade war.

Wakasugi's warning came the same day as the Regan administration decided to endorse the 1982 version of the 1930 Smoot-Hawley tariff that did so much to exacerbate the 1930s depression. Ap-

pearing before the Senate International Trade subcommittee, Trade Representative William Brock agreed to work out within four to six weeks so-called trade reciprocity legislation that both Congress and the administration could support. Trade Office officials told *EIR* that at a Tuesday cabinet meeting, the administration decided to support reciprocity legislation on a cross-sectoral basis in services, trade, and investment.

## Foreign Exchange

### Call issued to 'save franc with productive credit'

Jacques Cheminade, General Secretary of the European Labor Party, who is an associate of *EIR* founder Lyndon LaRouche, issued a emergency appeal March 23 for the formation of a non-partisan economic commission in France to introduce a program based on productive credit to save the French franc.

The commission would be made up of leading independent figures, representatives of the government majority and the opposition, leaders of the business community and the labor unions, representing the agricultural and industrial work force, he said. The purpose of the commission would be to elaborate and carry out an emergency program:

- 1) Legislating a European or, if necessary, unilateral remonetization of gold reserves at the price of \$500 an ounce;
- 2) Using this new level of 100 billion francs of gold reserves to issue productive credit earmarked for economic development, particularly high-technology industries (including nuclear energy) and the export of capital goods;
- 3) Establishing a system of exchange controls, export credit controls, and selective domestic credit, penalizing speculative credit and favoring credit used for productive ends;
- 4) Encouraging a new system of technology transfer with Third World countries, in exchange for guaranteed supplies of essential raw materials.

## Briefly

● **JAPAN'S FOREIGN** Minister, Yoshio Sakarauchi, told President Reagan and cabinet officials during his March visit to Washington that one of the strongest ways for the U.S. to revitalize the world economy would be to lower its interest rates. Finance Minister Michio Watanabe has called them "a cancer on the world." The Foreign Minister also told Alexander Haig that Japan will not halt cooperation with the U.S.S.R. on Siberian development.

● **THE OKLAHOMA** State Board of Agriculture has announced that it will demand immediate action against high interest rates from President Reagan, Federal Reserve Chairman Volcker, and the Oklahoma congressional delegation.

● **HENRY WALLICH**, Federal Reserve Board Governor, told a Washington audience last month that America needs a "Tax-Based Incomes Policy," the TIP plan first proposed by discredited Democratic President Jimmy Carter. "We need to penalize the private sector," the central banker stated, "and both business and labor hate the TIP plan. That makes me think it must be a very fair idea."

● **AMERICANS** spent more than \$5 billion and 75,000 man-years in 1981 playing arcade video games, according to a report on the video industry.

● **THE CITIZENS** Budget Commission of New York, led by Lazard Frères banker Felix Rohatyn, will hold a major New York City conference on reducing population in the worlds' cities June 15-16. The CBC, for its 50th anniversary, has invited by the U.N. Fund for Population Activities to help organize a conference based on the U.N.'s 1980 Rome International Conference on Population and the Urban Future, U.N. sources said.