— *ENI:* about to conclude an agreement with Algeria for the creation of a mixed company for the transport of natural gas. ENI's subcompanies Saipem, Nuovo Pignone and Snam Progetti, have allocated 2,600 billion lira for contracts with Arab countries during the 1976-79 period.

— *Italstat:* Will construct in Iran a huge commercial port at Bandar Abbas. Corbi, Italstat president, said that the company's contracts in Iran will not stop at Bandar Abbas.

— *Pirelli:* Last week, Guido Fabio, "foreign minister" for the Pirelli group, went to Kuwait. He is expected back in Italy Dec. 22 after signing an agreement for the construction of a big complex. Pirelli is also negotiating with Algeria for the construction there of a tire factory. Iraq wants Pirelli to expand a plant that Pirelli already built there.

— *Finsider:* Finsider (IRI) will construct in Bandar Abbas a steel complex that will produce 3 million tons of steel per year. The definitive agreement will be signed by late March 1977. The Finsider will also participate in the construction of the Tavanir pipeline, and will supply 40,000 tons of iron sheets for the Kanganastara pipeline.

Finsider is conducting negotiations with Iran for the construction of an aluminum and tube factories. With the Egyptians, Finsider formed a mixed company for the construction of the Abu-Gharadig pipeline. In Morocco, Finsider may get involved in the construction of the Nador steel complex. Finsider also wants to construct a Bandar Abbas-like steel complex in Libya.

— *The Banco Ambrosiano*: has been asked to participate in the Mediterranean Arab Bank. The proposal came from Mahd al Tajir, Ambassador and advisor to Shief Rashid of Dubai, and was accepted immediately.

— *The Soviet Union*: is helping the Libyans in the construction of a nuclear complex. FIAT may be participating in this.

— *Cesare Romiti*, FIAT director and one of the negotiators for the FIAT-Libya deal, went to West Germany to inform bankers and industrialists that FIAT will invest 15 billion marks in West Germany, five of which will be invested in the auto sector. Most of the money will come from Libya.

Weakness in Auto Production, Despite Oct.-Nov. Business Figure

BUSINESS OUTLOOK

NEW YORK, Dec. 18 (NSIPS) — The U.S. economic situation continues to deteriorate, notwithstanding the expected rebound that the end of the Ford strike gave to the October and November sales, income, and production figures which were released this week.

In the U.S., fourth quarter production is being held up slightly by a 3-4 per cent increase from the previous quarter in business spending on new plant and equipment "locked in" prior to the widespread perception that the U.S. economy had run out of steam. By the end of this month, however, capital spending will have flattened out — industrialists have recently cut back their expenditure program sharply.

Weakness in the key auto sector also continues to plague the economy. All Big Three auto companies have just announced new temporary layoffs totaling 16,000 workers for early next year — despite General Motors chairman Thomas Murphy's ridiculously optimistic predictions at a press conference this week that total U.S. auto sales (domestic and imported) would increase 11 per cent in 1977, to 11.25 million units. Another additional 9,800 Chrysler workers will be out of work during a week in January due to a conveniently timed plant renovation. GM's Lordstown plant, one of the most politically explosive in the U.S., will be shut down for a full three weeks starting Jan. 10.

Although Ford Motor Chairman Henry Ford II recently lowered his firm's estimates of 1977 sales to 10.6 million units, conditioned on "a modest tax cut," even Wall Street "auto analysts" (usually professional industry boosters) do not see such a sales rate as even a remote possibility in the first quarter of next year. Auto sales for the remainder of December are being very closely watched for indications of whether or not the current poor situation in the industry will rapidly deteriorate. Although reported sales in the first ten days of December were generally inconclusive, coming in at about the 9 million annual rate for domestic producers that analysts felt was absolutely essential, the Commerce Department's latest weekly retail report shows auto dealer sales down 13.9 per cent from the previous week (The weekly retail figures are not always reliable and can be subject to large revisions). The final two weeks will be a make-or-break situation.

Out Of Balance

Business statistics released this week showed industrial production rose 1.2 per cent in November, following revised declines of 0.4 per cent and 0.3 per cent in October and September respectively. The Federal Reserve Board attributed more than half of the

November increase to the settlement of strikes which had depressed the previous month's production. The Commerce Department reported that business inventories rose 0.5 per cent in October, following an upward-revised increase of 1.2 per cent in September. Almost all the increase in inventories was at the manufacturers' level. Total business sales fell 0.1 per cent in October, again slightly raising the overall inventory-sales ratio. With manufacturers' shipments falling off 0.1 per cent, manufacturers' increased inventories continued to remain sharply out of balance. The Commerce Department's advanced report (subject to significant revision) showed November retail sales increasing 1.7 per cent, paced by a sharp 3.5 per cent increase in auto sales. October figures were sharply revised upward to show a 1.1 per cent increase. Consumer installment credit, reported by the Federal Reserve Board, increased $1.56 billion in October, the sharpest advance in three years. Personal income rose 1.1 per cent in November, following a 0.8 per cent advance in October, the former figure sharply boosted by the return to work of strikers and the latter by government wage and salary increases. Housing starts fell 6 per cent in November to 1,705,000 units, while new permits issued rose 6 per cent to 1,492,000.

In the very short term, assuming the November retail figure is accurate, the question is whether or not sales can continue to advance strongly enough through Christmas to cause retailers and wholesalers to expand orders from manufacturers at a high enough level to permit both a rundown of manufacturers' inventories and a sharp boost to production. Orders up through October, the last available figure, still remain very weak, although these primarily reflect the previous weak retail sales situation. Reports to date on the Christmas selling as the season closes are inconclusive. Even assuming that consumer spending does pick up, it is widely recognized that without an increase in capital spending, the economy will continue to falter. On this score there is no relief in sight.

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Despite the vagueness surrounding the current contrived economic policy debate, which has revolved around the question of whether or not a "stimulus" will be needed, how large should it be, and what should be the proper "mix" of programs, Carter admitted both in his Atlanta press conference Dec. 14 and his press conference on the Pentagon steps Dec. 10 that low-paying government jobs programs are his "first preference" for the economy. Any tax cut, as Carter said, would be a purely secondary "rounding out" of his program, in effect a political payoff to industry to get the dust off its inventory shelves for a couple of months at best. This is regardless of whether the final "mix" has tax cuts providing over 50 per cent of the total "stimulus" or not.

The key point is that the expansion of existing jobs programs, such as CETA public service employment, which Carter could immediately implement would actually be the first step in a massive reorganization of the economy built around Labor-intensive employment and government "MEFO bill"-type financial arrangements. This would be combined with private sector labor agreements negotiated by kapo leaders like the UAW's Leonard Woodcock and "labor relations" oriented industrialists, such as U.S. Steel's R. Heath Larry, which would effectively destroy the United States' labor unions. Carter's rumored Labor Secretary, Harvard University professor John Dunlop, is an expert in "restructuring" labor markets, as witnessed by his role in the effective destruction of U.S. construction unions.

This point is necessarily true, despite any short-term cosmetic public displays to the contrary by Carter and Company, for the following reason. As even the Brookings Institution's Charles Schultze, the recently announced choice for Carter's chairman of the Council of Economic Advisors, has noted, "fiscal and monetary stimulus" in the sense of "Great Society"-type deficit spending programs are no longer viable even from the point of view of the monetarists who originally devised them. This has become abundantly clear even to the most dull-witted Keynesian, both through the meager effect that the absolutely massive federal government deficits of the past several years have had on bringing about any real "cyclical recovery" from the 1973-75 downturn, and by the inability of Federal Reserve Board chairman Arthur Burns to have any significant effect on economic activity beyond the recent upward blip in sales, despite pumping reserves into the banking system at an incredible rate since early this year.

As even monetarist Burns has learned, you "can't push on a string" — merely creating additional credit to rollover the debt doesn't provide a stable solution to the problem (from the monetarist standpoint) of maintaining debt repayment, but in fact ultimately compounds the difficulty. The real sector of the economy, strapped with exceedingly low rates of return, becomes increasingly unable to maintain the growing debt, while the new debt created increasingly fails to find its way into providing credit for the productive sector.

That is why both "conservatives" like Burns and "liberals" like Schultze — monetarists all — fundamentally agree that any attempt to maintain current debt structures must essentially consist of backing up credit creation to rollover the currently unpayable debt with government guarantees ultimately based on "labor-intensive" looting of labor, natural resources, and productive plant and equipment. This is the essence of the Regional Energy Development Corporation proposed at the Saratoga, N.Y. Northeast Governors' Coalition Conference last month, of the Humphrey-Hawkins bill (whatever its latest permutation will be), of "national planning," "federalizing" of welfare, government reorganization, and of the myriad of other programs to which the Carter forces are committed.