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Carter Tightens Gov't Bureaucracy To Put Screws On Industry

CORPORATE AFFAIRS

On April 16 President Carter endorsed the idea of a new Agency for Consumer Advocacy; he signed a bill permitting him to begin reorganizing the executive to weed out centers of potential resistance to his plans to rationalize the economy. On the same day the Senate Banking Committee passed a bill making it a criminal offense to offer bribes to overseas officials; and Michael Pertschuk, a long-time Ralph Nader associate, was confirmed as chairman of the Federal Trade Commission, the agency which holds life-or-death powers over corporations.

In the background, the Antitrust Division of the Justice Department is being beefed up under the auspices of William Shenefield, Carter's new appointee to the division, who is likely to take over as its chief. Epitomizing the trend, the Antitrust Division has just set up a toll-free telephone in Pennsylvania to encourage citizens — irate consumers and employees who want to "blow the whistle" on their corporation — to report possible price-fixing or other violation of antitrust laws. The number was set up in Pennsylvania, a spokesman for the division said, because of the density of large corporations in the state.

Institutionalizing Naderism

The idea for the Agency for Consumer Advocacy was prompted by charges from Ralph Nader himself and other consumer advocates that the regulatory agencies have become too friendly with the industries they are supposed to regulate, and that a third party "watchdog" is required. In reporting Carter's endorsement of the idea on April 6 the *New York Times* noted that many of the individuals who have worked for such an agency are now in the Administration itself.

Senators Abraham Ribicoff (D-Conn), Jacob Javits (R-NY), and Charles Percy (R-Ill) called a press conference to endorse Carter's backing for the agency, which they first proposed seven years ago. Percy said it had been a "long, hard fight" but that he "scented victory ahead."

As an example of what their consumer protection agency would do, the Senators suggested the agency could help citizens sue the Civil Aeronautics Board on the grounds that its regulations have helped inflate the price of air travel. Simultaneously, Sen. Edward Kennedy (D-Mass) is sponsoring a bill to deregulate the airlines to supposedly restore "free-market" pricing. As top officials of Braniff and National Airlines noted in congressional testimony recently, the deregulation bill would lead to greater concentration of the industry and no reduction in fares. The deregulation bill, in fact, is the first salvo in Carter's offensive to eliminate small business competitiors, in this case, businesses controlled by southern and southwestern financial interests distinct from Wall Street. Nader and *Time* magazine are also pointedly asking — in the wake of the unexplained series of airline crashes — "Are airlines really safe?"

Carter now has almost full power to "regulate the regulators," following his signing of the executive reorganization bill April 6. Carter has chosen Bert Lance, the fiscal conservative in his cabinet, to head up the President's committee on government reorganization, which has been empowered to propose plans to abolish, consolidate, or modify the entire civil bureaucracy. The President's plan will be implemented unless one House of Congress votes within 60 days to reject the President's plan.

During his campaign Carter ran on the populist promise of making the "horrible, bloated bureaucracy" workable, that is rationalizing the politically unwieldy bureaucracy into a unified command structure. Carter has spoken of reducing the Federal bureaucracy of over 2000 agencies to no more than 200 and intends to begin with the Executive office itself. This is one issue businessmen and conservatives generally are susceptible to. Indeed, the Federal bureaucracy, the product of Keynesian economics, is inefficient and wasteful. Its growth took off in the late 1960s, precisely at the point that productive employment began stagnating in this country. However, in their ardor to see "good management" in the public sector and to see the Treasury deficit reduced at all costs, conservatives tend to overlook the fact that Carter is moving against the bureaucracy with the sole aim of severing all ties between the civil service and industry.

A target for this streamlining to ensure effective policing is the regulatory agencies. Last month the *Executive Intelligence Review* printed the exclusive story that the Enforcement Division of the Security and Exchange Commission is ready to go with *hundreds* of "Lockheed scandals." A bill which passed Sen. William Proxmire's (D-Wisc) Senate Banking Committee on April 6 sets up corporate officials ivestigated by the Enforcement Division of the SEC for *criminal* prosecution. The committee added to the overseas bribery bill the Administration's amendments criminalizing such bribes and raising the penalty from $10,000 to $500,000. The amendments also extend the bill

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to cover foreign corporations which are 50 percent or more owned by Americans. Charges of "bribery" have been used by Atlanticists to go after pro-industrial forces in Europe, Japan, and the U.S.

This bill is complemented by new directions taken at the Justice Department. Attorney General Griffin Bell and William Shenefield, who is likely to succeed Donald Baker as chief of the Antitrust Division, favor stiff prison sentences for price fixing. Baker was recently fired by Carter for his softness on price-fixing violations. The Carter Administration just requested from Congress an additional $31 million for the division's fiscal 1978 budget so that it can pursue more price-fixing cases. In a period of continuing commodity price inflation, every industrial corporation is susceptible to charges of "price-fixing."

Appearing before the Senate Banking Committee the same day it passed the bribery bill, Harold M. Williams, Carter's nominee for SEC chief, told the committee that he favored a more active role for the SEC in the area of capital formation. However, all this involves is the possibility that the SEC might relax its regulations — for example, its requirement that small businesses file with the SEC on all issues over $500,000, thereby making it easier for business to raise capital. A very meager carrot to be throwing out to the business community at this time!

Commodity

COMMODITIES

Prices for major international trade commodities collapsed during the week ending April 5, stopping a speculative runup of roughly 35 percent on the leading indices since last September. The market break — despite a technical recovery on the last two sessions this week — flashed an emergency signal of primary importance to the world financial community.

The cases of cocoa, coffee and copper exemplify the present situation.

Cocoa and coffee prices went up by over 300 percent in the last year, based on growing rumors of "scarcity." Cocoa was at £800 per ton on the London market in March 1976, and reached £2,800 per ton on February 1977. But the raising of deposit requirements by the Bank of England was

down. Last week, the President of the Brazilian Coffee Institute, Camilo Calazans, had to admit that Brazilian coffee producers and exporters have 9 million sacks of coffee in private stocks.

Meanwhile, the Cocoa Producers Alliance was unable to reach an agreement in London on a minimum-maximum price structure, with the Ivory Coast even threatening to cut down cocoa production in favor of expanding cultivation of other commodities. Cocoa prices are now around the £2,000 per ton mark, while coffee prices went down by about 8 percent in the last shake-up.

The price of copper has fallen by about 10 percent, despite tensions in the copper-producing area of Zaire. A trader summed up the general feeling with the comment that "the surprise is not what is happening in Zaire, it is the relative lack of reaction in the market...Copper inventories are very high, and the economic situation is far from being encouraging." The prices are now only maintained by speculation around the U.S. strike by the United Mine Workers of America. But, both the metal companies and the trade unions understand that in the present depression, a strike could only hurt labor *and* industry. An orientation toward a Canadian settlement at the Noranda copper refinery in Montreal — where workers continue to work in spite of the expiration of their labor contract — is seen as establishing a pattern for U.S. agreements in the whole copper and metal industry.

Other metal prices are also falling down — tin prices by 25 percent, lead prices by about 20 percent. The sharp price-decrease is further fostered by the agreement on a labor contract reached without a strike at the St. Joseph Minerals Moraca zinc smelters in Missouri.

How Commodities Markets Work

This is however only a holding action. Limited penalty measures cannot eradicate the roots of speculation. What determines market commodities prices in the short-term is not supply and demand for the commodities, but the internal dynamics of the whole money market. Speculation in commodities is conducted through the same international lending swindle that provided most loans to the Third World. The so-called Eurodollar market now contains at least $100 billion of short-term refinancing of Third World debts. This mass of liquidity — credit for which there is no backing in real income — creates an environment of apparent easy money, some of which spills over into commodity speculation. At the point that short-term Eurodollar interest rates, now about 6 percent, are lower than the expected annual rate of increase of commodity prices, now about 10 percent or over in the case of metals and more for "soft" commodities, commodities become an attractive speculation.

In the upward side of the cycle, *apparent* cheap money and higher commodities prices inflate world trade in value, and in turn provide more liquidity for the Eurodollar pool. But the Eurodollar market is extremely shaky, as increasing amounts of long-term Third World debt comes due. Big international depositors, like the Arabs, are pulling funds out into gold or Treasury notes. Once any major group of participants in the gambling casino gets cold feet, the entire swindle will collapse.

Last week's price fall in London indicates that such a collapse could now happen at any moment, just like the first tremors which preceded the October 1929 stock market crash. Early last week, Eurodollar short-term