

# Business Briefs

## Banking

### Ambrosiano casts shadow on Switzerland

Ongoing investigations by Italian authorities into the problem of illegal flight capital transactions estimated at \$20 billion annually are making available a vast wealth of information about the shadier sides of banking in Italy's neighbor Switzerland.

According to Lionello Torti, an official of Italy's Banco Ambrosiano who is currently on trial, every bank in Switzerland has participated in holding, transferring, and laundering money illegally funneled out, and back in, to Italy.

Torti is the chairman of Ambrosiano's Lugano, Switzerland, subsidiary, called Banco del Gottardo. Last year, the chairman of Ambrosiano in Milan, Roberto Calvi, was imprisoned briefly after it was learned that he was heavily involved in exiting capital from Italy in behalf of the members of a secret masonic lodge, Propaganda-2. It has been illegal to take capital out of Italy since 1976.

Swiss banks are watching the current hearings closely, waiting to see what kind of information may be made public.

On Jan. 27, Switzerland's leading financial daily, the *Neue Zürcher Zeitung*, reported at length on the Ambrosiano case, noting that a fight is currently underway at the bank between its directors. Some months ago, the chairman of Olivetti corporation, Carlo de Benedetti, purchased a two percent holding in Ambrosiano and was admitted as a director. Now he is threatening to dump his shares, after learning that Calvi was keeping secret many aspects of the bank's financial activities.

At the same time, one of Italy's wealthiest financiers, Orazio Bagnasco, has just bought a 2 percent holding in Ambrosiano—and is expected, if necessary, to replace de Benedetti on the board. Bagnasco is attracting widespread attention after this move in the Italian press.

\*A secretive individual who has shunned press attention for years, Bag-

nasco, it is now being revealed, has constructed a vast financial empire on the Italian remains of the former Investors Overseas Services (IOS) mutual funds empire of Bernie Cornfeld, which went bankrupt in 1974. Bagnasco's financial holding company was built by hiring IOS's entire Italian sales staff after IOS went under.

## Econometrics

### Wharton model programs genocide for Mexico

A new econometric model developed by Nobel Laureate Dr. Lawrence Klein of the Wharton School at the University of Pennsylvania is meant to force the Mexican government into policies of population restriction, Klein told a reporter.

For years, Mexican private companies have been brainwashed with Wharton Econometrics' DieMex model, which uses linear systems analysis to predict what will happen to the Mexican economy based on past data. DieMex has insistently concluded that if Mexico's economy keeps growing at high rates, there will be hyperinflation, "maldistribution" of income, and this will lead to "social unrest as it did in Iran," Klein stated. The model created an environment in which private companies made decisions.

Now Klein has designed a new "Optimal Control" model, a policy-making model which will actually make policy choices for the Mexican government, and which when linked to the DieMex model, is supposed to run Mexican national economic policy. Klein will present the Mexican government with "critical choices," between what Wharton defines as economic "possibilities": economic growth and high inflation, or economic slowdown and lower inflation.

The new model is thus designed to force Mexico to choose zero growth and population reduction. "The Mexicans will have to tell us how intensely they feel they want to grow," Klein said, "and how badly they want to avoid inflation.

But it's a trade-off. . . . My guess is they will decide not to go hell-for-broke for growth."

Klein added that now, for the first time, the Mexican government can be forced to choose how much population growth they can afford. "We'd try to suggest to the authorities ways of achieving population limitation," he stated.

Klein claims he has already recruited several economic advisers to incoming Mexican President Miguel de la Madrid to use this model, and that they will be coming to Wharton for training within the next months.

## Investment Counseling

### A Ruff time for some forecasters

As *Executive Intelligence Review* documented in its last issue, the predictions of professional forecasters were wrong for the last two and one half years.

Now columnist Dan Dorfman has documented that the records of the various investment newsletters are equally dismal. For example, Harry Schultz, who puts out an international newsletter, predicted that the Dow Jones industrial average would rise 300 points to 1200. That didn't happen. The Dow closed the year below 900. Jim Dines, a gold bug newsletter writer, recommended the purchase of gold on the grounds it would rise, even as the price tumbled from \$600 to \$400 during the course of 1981.

But perhaps the biggest loser was Howard Ruff, an intelligence stringer and darling of the "new right," who has recently taken to making country and western songs. Ruff told his 148,000 subscribers to his newsletter, *Ruff Times*, in January 1981 that, "the greatest surprise of '81 may be a shockingly small federal deficit." The actual deficit of \$57.9 billion was, of course, one of the largest in U.S. history.

In the past, Ruff has attacked *EIR* in his newsletter, for among other things, being distributed by "pro-nuclear zeal-

ots." Mr. Ruff may have a second motive in attacking *EIR*: its accuracy in prediction.

### **Trade**

## **Sen. Danforth pushes U.S. protectionism**

"I can't foresee any concessions by Japan, including the announced lifting of some of their non-tariff barriers, that will be sufficient to prevent John Danforth [R-Mo.] from introducing his 'reciprocity bill' this spring," a congressional source close to the senator told *EIR*.

Senator Danforth's staff is presently drafting a bill that will allow Washington to restrict Japanese exports if U.S. agencies decide that Japan denies American firms the same kind of access to the Japanese market that Japan enjoys in the United States. For example, if it is determined that Japanese "unfair" non-tariff barriers deny U.S. tobacco and cigarette concerns \$2 billion worth of business (a figure commonly used), then the bill would allow the United States to exclude Japanese products in *other* commodities of equal importance.

The Senator and the administration insist that the major reason for the \$18 billion U.S. trade deficit with Japan this year is that Japan does not allow foreigners the same ability to sell in Japan that Japan enjoys for its exports to the U.S. or Europe. Tokyo insists that the real culprit is the currency havoc caused by high U.S. interest rates.

Nonetheless, on Jan. 28 Japan announced it will remove 67 of the 99 "non-tariff barriers" about which Washington has complained and will consider removing most of the rest. For example, Japan will now accept international inspection standards rather than retesting imports in Japan.

Congressional sources insist this is not sufficient and that "fundamental structural shifts" in Japan's economic systems are needed to remove what they call an anti-import bias. Therefore, by

March or April, Senator Danforth will introduce his bill to allow retaliatory measures.

### **Agriculture**

## **Block promises FmHA will be lenient**

The Farmers Home Administration (FmHA) will make a special effort to assist farmers during the current "cloudy time," Agriculture Secretary John Block told the press on January 20.

Appearing with Assistant Secretary for Rural Development Frank Naylor and representatives of the American Bankers Association, the Independent Bankers Association of America and the Farm Credit Administration, Secretary Block acknowledged that the farm economy is now under stress, particularly in certain areas, but insisted that it is not on the verge of collapse as many farm spokesmen and other have warned recently.

This unusually high-powered display was prompted not only by the documented crisis in American agriculture, but by the fact that producers have moved to openly challenge FmHA's crackdown on delinquent borrowers and its stringent new lending policy.

The Rocky Mountain Farmers Union has called for a one-year moratorium on FmHA farm foreclosures, and has indicated that their sister organizations in North and South Dakota and Iowa will follow suit. Rep. Byron Dorgan has announced that he will introduce legislation to put the moratorium into effect.

These are the latest developments in a campaign launched months ago by the American Agriculture Movement when producers reported that FmHA bureaucrats systematically failed to inform borrowers of their right to a moratorium under existing law. The campaign widened and took on new urgency as reports of a rash of foreclosures and threatened foreclosures surfaced.

## **Briefly**

● **WEST GERMAN** imports of crude oil dropped by 18.7 percent in 1981 to 79.6 million tons, the lowest level since 1967 because of weakness of the world economy, and energy conservation in Germany. Nonetheless, the increase in the price of crude oil sent the German oil import bill up to \$21.4 billion, a 10 percent increase over the 1980 level.

● **NASA** has changed its plans for the launch of its Galileo mission to Jupiter. Instead of spending the \$100 million needed next year to modify the Centaur rocket to launch Galileo from the Space Shuttle, NASA will use an Air Force rocket. This Inertial Upper Stage rocket could launch Galileo to Jupiter, but it will take 30 months more to get there and the total program cost will be \$170 million more than with the modified Centaur.

● **JANET NORWOOD**, Commissioner of the Bureau of Labor Statistics, has projected cutbacks in its statistical programs and publications based on the 16% reduction in outlays for the agency mandated by the fiscal 1982 budget. Norwood said the cuts would mean elimination of BIS series on real spendable earnings, labor turnover, and family budgets, while reducing statistics on work stoppages, occupational wage surveys, bargaining settlements, and developmental work on the Producer Price Index.

● **CHARTER OIL** Company, the Jacksonville, Florida, firm that figured prominently in the Libyan-Billygate connection 18 months ago, has closed the *Philadelphia Bulletin*, the city's 134-year-old afternoon newspaper. The *Bulletin* ran a \$22 million loss in 1981 plus \$3 million in January. Industry analysts believe Charter bought the *Bulletin* to use the tax write-offs associated with the paper's losses and final demise.