# Business Briefs

*Credit Policy*

## 'America easier to beat than Argentina'

An editorial in the April 3 *Financial Times* of London argued that with the outcome of the war with Argentina over the Malvinas Islands still in doubt, pushing America around is a much better bet.

Reminded "that economic forces are more powerful than the force of law [the British Navy]," the editorial, entitled "Armed for the Wrong War," emphasizes that America is on a road to depression, not recession, which may now be irreversible. If such is the case, the editorial argues, this may be the time to march in and induce America to create a two-tiered credit system that would reward speculators ("better credit risks") and condemn poorer risks (manufacturers and other producers).

If a depression is irreversible, what better time to pull out of U.S. stocks and other securities? "It is certainly not too soon to be reviewing such a contingency and planning for it. There are worse places than the South Atlantic to be unprepared."

*Banking*

## S&Ls ask President to save U.S. housing

Representatives of the savings and loan institutions, led by the U.S. League of Savings Associations, met April 1 with President Reagan at the White House to ask him to defend the S&Ls from bankruptcy.

"We expressed our concern about the effects on financial institutions of current high interest rates," U.S. League President Roy G. Green said in a statement after the meeting. "We told the President that the pressures of high interest rates on thrift institutions could hamper his economic recovery program" because of the cost to the U.S. Treasury if it must fund the bailouts of "troubled institutions."

As Green noted, it is the Federal Reserve's high interest rates which are not only bankrupting the S&Ls, but swelling the U.S. budget deficit. The Federal Home Loan Bank Board reported April 5 that S&Ls' losses in the last half of 1981 reached a record $3.1 billion, with almost 85 percent of the 5,000 institutions suffering losses, up from 70 percent in the first half of 1981. S&Ls will lose another $6 billion or more in 1982, thrift analyst Jonathan Grey of Sanford & Bernstein estimated April 6. By the end of March, fully 95 percent of all S&Ls were in the red, he stated.

As U.S. League President Green has noted, these losses could cost the Federal S&L Deposit Insurance Corporation over $45 billion in the next few years to bail out bankrupt S&Ls.

The U.S. League stressed that the S&Ls are the nation's premier home lenders, and "urged that alternatives be developed to policies that threaten preservation of community-based institutions, which serve the credit needs of American families." Green specifically stated that if S&Ls are allowed to go under, commercial banks will not take up the slack in making home mortgages, and families will suffer.

*Foreign Exchange*

## Britain's currency, banking dive over Malvinas

Britain's decision to freeze Argentina's $1.5 billion deposits in London banks April 2, following Argentina's move to end British colonial possession of the Malvinas Islands, may damage Britain's currency and banking.

"The action by Thatcher was very bad. It was hysterical, and damages London's reputation as a neutral international banking center," Leonard Santow, the chief economist for the New York branch of the British-run Schroder Bank declared on April 9.

"Arabs and Latin Americans have been withdrawing their money following the freezing of Argentinian assets, and this will continue for two more weeks," Santow reported.

The pound fell from $1.79 April 5 to $1.75 on the 7th, while the value of stocks on the London Stock Exchange collapsed by some $7 billion. The London *Financial Times* index of stock values dropped 23 points from 583 to 560.

*Labor*

## How the U.S. workforce has shifted since 1970

In 1970, approximately 16 million people were in the U.S. services and finance sector workforce. By the late 1970s, employment in this totally nonproductive sector had surpassed manufacturing, which employed two-thirds of the workforce at the end of World War II. By 1981, there were 25 million service workers, an increase of 60 percent over the decade.

In contrast, the manufacturing sector workforce rose only 1.8 million from 1970 to 1981—an increase of 8.9 percent. Actual manufacturing employment stood only 4.6 percent higher last year than in 1970—and by February of this year was down to 1970 levels. And figures for the last decade mask a shift within the industrial sector away from basic industries toward electronics and other light industry.

*Narcotics*

## Dope Inc. enters Caribbean Basin plan?

The Port Authority of New York and New Jersey, some of whose officials are reported to have ties to the Permindex world assassination bureau of Dope, Inc., announced April 8 that it will establish a trading company in Costa Rica to take part in the President's plan for the development of the Caribbean Basin, released March 17.

The trading company will be run by the World Trade Institute, a Port Authority subsidiary, and Banex, a Costa Rican bank, for the duration of the two-year contract.

Port Authority head Alan Sagner said, "Costa Rica has one of the few remaining stable governments in Central America, thus making it an area of importance to the United States. The subsidiary trading company of Banex will serve as a new instrument to create worldwide exports."

Trading companies, especially in the Far East, are notoriously used as drug-handling companies, usually attached to a major Dope, Inc. bank like the Hongkong and Shanghai. Costa Rica is often referred to as "Vescoland" because it protects the fugitive drug-linked swindler Robert Vesco.

*Trade*

## EC asks Japan to self-destruct

Two weeks after U.S. Commerce Secretary Malcolm Baldrige accused the Japanese of "stealing" U.S. technology, and Undersecretary Lionel Olmer demanded that the Japanese open their economy to foreign buy-ups, the European Commission issued a long-awaited paper demanding that the Japanese permit foreign takeover of Japanese companies, and buy more foreign goods regardless of prices.

The EC document was a slap at both the Japanese, who had sent a high-level delegation to Europe to mitigate trade problems, and at West German Chancellor Helmut Schmidt, who had wanted disputes to be settled through the mechanisms of the General Agreement on Trade and Tariffs. The EC declaration failed to mention any GATT remedy for the trade imbalance.

*East-West Relations*

## Venetians propose that BIS manage East-West trade

Nathaniel Samuels proposed this month that the Swiss-based Bank for International Settlements take over all management of East-West trade and credit from the West to the Soviet Union. Samuels, the retired Chairman of what used to be the Kuhn, Loeb investment bank, is also a top executive of half a dozen U.S. insurance subsidiaries and holding companies for the two largest insurance fondi in Venice, the Assicurazione Generali di Trieste e Venezia, and the Riunione Adriatica di Sicurta.

In an op-ed in the April 7 *New York Times* entitled "Larger than the Pipeline," Samuels proposed that since Europe is dead set on building the Soviet-European natural gas pipeline, that the U.S. government "cease its opposition to the pipeline" for a price. The deal would be agreement by Western Europe and Japan to "agree to an organized systematic coordination of lending and credit policies toward the Soviet Union and other Eastern European countries . . . to monitor Warsaw Pact countries' abilities to service their debts, to help avoid excesses of availability of credit from courting of Eastern trade," and other watchdog restraints on East-West trade.

Samuel openly proposed that the "coordinating financial tasks" of this agreement "could be undertaken by the Bank for International Settlements, in Switzerland" and the Organization for Economic Cooperation and Development in Paris.

Samuels's plan is a "potboiler" for similar proposals made to European governments by U.S. Undersecretary of State James Buckley in a recent European tour, one European expert in New York said in early April. State Department spokesman Dean Fischer in fact announced April 6 that European governments have agreed to "coordination" and "follow-up discussions" on the matter at the Versailles economic summit.

## Briefly

● **PAUL VOLCKER** approved the first takeover by a U.S. commercial bank of a savings & loan on April 4, thereby rewriting U.S. banking law by fiat on the model of the British cartelized banking system. The separation between S&Ls and commercial banks has been traditionally maintained in the U.S. to support S&L finance of home mortgages, which commercial banks do not typically make.

● **SWITZERLAND** tightened its credit markets April 7, with the announcement that the Swiss National Bank will limit money supply growth this year to 3 percent "in order to combat inflation." Inflation in Switzerland in 1981 was 6.5 percent. Last year, the central bank cut the Swiss money supply by 0.5 percent. As a result of the new crunch, nearly 40 percent of Swiss industrial firms plan production cutbacks during the second quarter of 1982, Union Bank of Switzerland reported.

● **WILLIAM FRENCH SMITH,** U.S. Attorney General, called for a program of U.S. banking deregulation April 6, including a "review" of the McFadden Act and the Douglas Amendment to the Bank Holding Company Act. These two protective regulations keep large banks from buying smaller banks across state lines.

● **FREE BANKING ZONES** may "take a significant amount of international lending business away from London and threaten its position as a world financial center," Robert Brusca, New York Federal Reserve Bank International Financial Markets Research Director, told *EIR* April 5. "Were New York to grow to the size of London, we could begin to control the international dollar markets," he said of the unregulated International Banking Facilities now permitted in the United States. "By bringing sections of the offshore dollar markets here, we're beginning to control those markets."