

Business Briefs

Banking

Swiss, British gloat over U.S. crisis

Leading British and Swiss are bragging that big American banks will suffer the worst consequences of what the chairman of the Swiss bankers' association called "a collapse of the entire international credit system," leaving them as the gloating survivors.

In an analysis of the U.S. banking situation, the London *Daily Telegraph* warned Sept. 20 of the "coming bankruptcy of major American banks," citing the recent chain-reaction of major loan losses and financial-sector bankruptcies, which have already brought the bad loans of some major American banks dangerously close to the total value of their shareholders' equity. "The entire U.S. banking system is very precarious," wrote the London paper, which is ideologically allied to the Thatcher government. In especially bad shape, the *Telegraph* added, are Chase Manhattan, Citibank, Continental Illinois, and Manufacturers Hanover Trust.

More direct were the remarks of the chairman of the Swiss Banking Federation in a speech Sept. 18. "The Swiss banks have not made the same questionable loans that other banks have; they have maintained the best liquidity position and capital coverage of any major group of banks, and are prepared for extremely hard blows," the Swiss banker said. "In the event of a collapse of the entire world credit system, the Swiss banks would not be adversely affected."

Agriculture

Bankers have no solution for U.S. crisis

Members of the National Agricultural Credit Committee, which represents the Farm Credit Administration, insurance companies, the Farmers Home Administration, and other government agencies, gathered in Chicago Sept. 20 to hear news of the worst crisis in the American farm sector since the last great depression.

The committee, a group of bankers and farm lenders constituted as an information-

sharing committee linked to the American Bankers Association, was informed that from 3 to 5 percent of all private agricultural borrowers will become unable to stay in farming past the end of 1982; either they will leave voluntarily, or be forced out by creditors calling in their debt. Most lenders to agricultural clients have experienced a deterioration of their loan portfolios, due to farm non-repayments and delinquencies. And, according to reports to the committee meeting, the farm fiscal situation will be worsened, rather than helped by this year's bumper crop, the second in a row.

Sentiment at the meeting ran in favor of Federal Reserve Chairman Paul Volcker's policies, with only token support for lower interest rates. Increased U.S. farm exports were pronounced untenable.

Perhaps the most Malthusian response, however, came from an American Bankers Association spokesman. U.S. food supplies must be weakened by voluntary movement of farmers out of production, he said. "This will help the over-production by having fewer farmers."

France

'End of great ambition of growth and progress'

During the week that led up to the Olof Palme victory in Sweden and the collapse of the Schmidt government in West Germany, the French government announced the end of the socialist dream, the end of the "great ambition of growth, progress and social justice," in the words of Prime Minister Pierre Mauroy. The true face of the solidarism the Socialist government has been pushing has been shown: sharing the poverty.

Mauroy announced in mid-September that the era of "rigor" had begun, and would be lasting through 1984. Mauroy did what no government in the history of the Fifth Republic had even dared to suggest: he declared that the policy of keeping wage increases in the public sector at a par with the rate of inflation would be ended.

The government is preparing to "lift" the wage-price freeze imposed three months ago, but Mauroy also made it clear that wages would not be allowed to increase by more than 3 percent in the immediate future, and

that only in a few cases.

The Planning Commission which is to establish the Five-year Plan covering 1984-89 has been set up under Michel Rocard. The commission will include representatives of groups like Friends of the Earth and Family Planning. Rocard has stated that the policy of reducing the working hours of the population—a cornerstone of the government's program—must be accompanied by corresponding cuts in wages.

Mexico

President rallies labor behind nationalizations

The powerful Mexican teachers' union, the SNTE, held a rally Sept. 22 with more than 700,000 teachers in Mexico City in support of President López Portillo's banking nationalization and exchange controls. Appearing at the rally, the President called on the teachers to explain in their respective regions of the country the origin, extent, and meaning of the Sept. 1 decrees.

After the rally the Mexican President went to the headquarters of the telephone workers, where he attacked "the cynical confidence of those who complain that there is no confidence, because they have lost their freedom to continue plundering the nation."

Conference Report

EIR holds seminar in Mexico City

An executive seminar on the LaRouche-Riemann model and Lyndon LaRouche's program to revive the world economy, sponsored by *EIR*, drew 20 participants in Mexico City Sept. 21. Representatives attended from four of Mexico's now-nationalized banks, six embassies, private-sector associations, the Interior Ministry, and the PRI party think tank, IEPES.

The keynote presentation was given by a national executive committee member of the International Caucus of Labor Committees, Tony Papert, who tore apart the Hayek-Friedman cult, demonstrating how the U.S. economy had been destroyed and why

the commercial banks and the IMF are bankrupt. He reviewed the "Operation Juárez" proposals of Lyndon LaRouche.

The second presentation was by Cecilia Soto de Estévez, head of the Mexican Association for Fusion Energy (AMEF), and an executive committee member of the Mexican Labor Party. Mrs. Estévez elaborated further on the Operation Juárez concept, outlining the debt situation of Ibero-America and the projects required for a successful continental Common Market.

A press conference before the event drew representatives of 10 newspapers and TV stations. Papert began the briefing by announcing his support, "as an economist, a U.S. citizen, and a patriot," for the Sept. 1 actions of López Portillo.

A journalist asked if Papert was proposing the nationalization of the American banking system. He replied that there were two separate though interrelated aspects of what López Portillo did: 1) nationalize the Bank of Mexico and 2) nationalize the private banks. The key question for the U.S. was nationalizing the Federal Reserve, he stated. The main accomplishment of the Mexican measures is that it became the first country to control its own credit and currency, as every country must do. *Diario de Mexico* gave the press conference front-page coverage.

U.S. Corporations

New wave of billion-dollar bankruptcies

A new wave of bankruptcies, marked by a \$750 million failure in oil equipment (and an \$850 million failure in Canadian real estate), began in late September, amidst reports of major difficulties among commercial banks in obtaining funds from normal channels.

A Texas oil-equipment producer, GHR, failed Sept. 20, leaving banks with \$750 million in debt, and at least 20 other oil-equipment producers, some of the biggest borrowers of the past three years, are in danger, according to a *Business Week* cover story. The collapse of the oil boom, characterized by a 40 percent drop in drilling over the past year, has left highly indebted equipment producers vulnerable to a domino-series collapse.

Much more dangerous for the U.S. banking system, however, is the expected failure of International Harvester, with more than \$4 billion in debts.

Fiscal Conservatism

'Hitler lives in Chicago,' says Argentine magazine

"No, it is not science fiction. The evil Führer of Nazi Germany has decided to take up comfortable residence in the City of Chicago, adopting the cover of a tranquil university professor of economics. . . . He calls himself Milton Friedman."

The above comes from the current issue of the influential Argentine magazine *Búsqueda*. (In August, *Búsqueda* also published a favorable review of "The Ugly Truth About Milton Friedman," the 1980 book-length exposé authored by Lyndon LaRouche and *EIR* Economics Editor David Goldman.)

The magazine notes that Friedman/Hitler has not abandoned his ambition of world domination, "and of abolishing more than half of humanity. The only thing that he changed was the mustache . . . perhaps to disguise the ferociousness of an economic theory that is more deadly than 1,000 Auschwitz-style concentration camps." The *Búsqueda* article, written under the pseudonym "Cándido Juglar," continues: "Instead of Panzer divisions, he now sends in economic ministers with a full array of whiz kids, who are specialists in the most 'efficient' way of systematically destroying all that was created to produce."

The new Führer, states *Búsqueda*, controls the economic systems of countries like Great Britain, Argentina, Bolivia, and "no less than that of the United States through Federal Reserve Chairman Paul Volcker." Friedman, British and American bankers, and the Trilateral Commission, have decided that the underdeveloped countries should not grow any more, states the magazine. "They have determined that the poor will be subjected to euthanasia because they believe that human beings do not have the capacity to overcome the supposed scarcity of food and space to take care of great numbers of developing people. Thus, they reject man's intelligent creation, and the content of the papal encyclicals of John Paul II."

Briefly

● **MIGUEL DE LA** Madrid, President Elect of Mexico, gave his total support Sept. 22 to López Portillo's bill to incorporate the banking nationalizations enacted Sept. 1 into the Mexican Constitution. Praising the action as "patriotic and revolutionary," de la Madrid said it strengthens the role of the Mexican state as the guide of national development, putting the banking system in congruence with the economic goals dictated by the state for the benefit of the nation. De la Madrid's unequivocal announcement sweeps away a wave of rumors that he was not happy with the measures.

● **U.S. INDUSTRIAL** production from December 1981 to August 1982 fell at a 6.7 percent annual rate; *EIR*'s LaRouche-Riemann model had forecast 7 percent, where other forecasters saw a substantial growth rate.

● **VENEZUELA'S** central bank is withdrawing government deposits from private banks to squeeze banks into repatriating some of the \$18 billion in Venezuelan citizens' flight capital accounts abroad, government sources say.

● **OLIVETTI** Chairman Carlo De Benedetti warned Sept. 17 in an interview with *La Repubblica* of a \$1 trillion wipeout of bank assets. "Bankers will never have the courage to act before a crash," he added.

● **IMF** board members declare there is "no chance at all" that the IMF would soften the extreme terms it is demanding from Mexico in return for a \$4 billion, three-year credit, even if this provoked Mexico to declare a debt moratorium.

● **A RIDER** on the U.S. reconciliation budget established a 50¢ tax per hundredweight on manufactured milk. The revenue will finance a new surplus program of the Commodities Credit Corporation. The tax increases to \$1 if the surplus tops 7.5 billion by next April, thus slashing dairy parity prices from \$13.10 to \$12.10 over one year.