Business Briefs

Transportation

U.S. airlines announce heavy cutbacks

In addition to the 5,000 airline employees laid off before and after the PATCO strike began, the airlines have announced another round of layoffs, demands for wage givebacks and cancellations of new aircraft orders, and route cutbacks. The two largest of the new round of layoffs were 1,000 of Pan Am's 6,000 flight attendants and 1,030 machinists at TWA's main repair depot in Kansas City. The latter cut is one-half of TWA's machinists, indicating that the airline expects to announce a massive reduction in its service within the next two months.

Thus far, Pan Am, Republic, World, Continental, TWA, and Western have demanded either a wage freeze or wage reduction from their employees. World Airways President Edward J. Daly has announced that unless the workers accept a pay slash or the banks a postponement of loan repayments, he will be forced to liquidate the line. Citibank, the head of the bank consortium that had floated a $200 million revolving credit to Pan Am, has called that credit in unless Pan American forces four of its five major unions to accept a 10 percent reduction in an already negotiated salary increase. Interest alone on this credit, which carries a 21⅛ percent rate, will cost Pan Am $41 million over the next year.

The chances are, however, that Citibank will completely withdraw its line of credit. Pan Am has announced that it will sell its international hotel division to Grand Metropolitan Ltd., a British luxury hotel, foods, and liquor company with 1980 earnings of $456 million. At the same time, Pan Am will cut its service to Australia, the Far East, India and halt its service to Africa. Singapore Airlines, which has just established service to Los Angeles, and Cathay Pacific, two Dope, Inc.-linked airlines, are expected to absorb the Pan Am routes.

According to a military source, the heavy layoffs in the airline industry have sent skilled personnel like pilots and mechanics flocking to the National Guard and Air Reserve looking for weekend pay. "We expect to have a steady supply of skilled personnel for the next two to three years," he claimed.

Steel Industry

U.S. steel-making capacity is disappearing

The Brookings Institution sees the American steel industry as a thing of the past. In a recently released book, entitled *The U.S. Steel Industry in Recurrent Crisis*, by Robert Crandall, the Brookings Institution states that American steel-making capacity had reached a peak in 1977 and will continue to fall from that peak. In 1977, the U.S. could produce 160 million tons of raw steel. Through plant closings, that figure was down to 153 million tons by 1979.

Brookings' Crandall predicts that perhaps as much as another 10 percent of U.S. steel-making capacity will be lost over the next five years, and the U.S. will have a shrunken steel industry concentrated largely in the states bordering the Great Lakes.

International Credit

Haig endorses IMF population control

Secretary of State Alexander Haig has endorsed the proposal by IMF Executive Director Jacques de Larosière to base all future IMF international lending on the condition that Third World nations agree to stringent population control measures, highly placed State Department officials told *EIR* this week.

Haig and Undersecretary of State for Economics Meyer Rashish agree with the IMF's formulation that henceforth the IMF will act to flatly cut international credits to the Third World, in order to force these countries to reduce food, energy, and other vital goods' consumption, the source stated. "For years, the international banking system was too ready to finance anything. Now we must insist on adjustment," the source stated. "The huge debts piled up in the 1970s must now be run down, at a price. The IMF is moving in the right direction: tougher conditionality with a broader view paid to the whole economic process."

The Haig State Department specifically endorses the idea of population control as a prime IMF conditionality, the source said. Haig "made the decision at Ottawa to push hard on the population issue, and won," the source said. The secretary intends to push the IMF plan for population conditionality at the Oct. 22 North-South summit in Cancún, Mexico, the source confirmed.

Domestic Credit

New York Fed plans Kissinger defense budget

James R. Capra, an economist with the New York Federal Reserve Board, writes in the board's *Quarterly Review* that the Department of Defense should measure its requirements not by actual defense needs, but by defense-program implications for the reorganization of the economy and for domestic policy.

This policy, which Capra claims was initiated by Henry Kissinger's 1970 National Strategic Study Memorandum 3 (NSSM-3), charges the DOD with responsibility for watching the inflationary impact of defense spending on the economy. Capra argues that a depressed civilian sector will lower defense sector inflation.

Capra notes that the current administration policy is to keep the money supply tight by not monetizing the defense debt, thereby keeping interest high. This depresses civilian business, permitting both business and labor to be recycled into the defense sectors at "noninflationary" bankruptcy prices.

"It is very important to formulate and choose an affordable defense strategy through a process that explicitly weighs the costs and risks of different strategies against the benefits of tax relief and alternative nondefense domestic budgets," Capra continues. "Inflationary pressures may be mitigated in 1982 by the existence of underutilized industrial capacity."

Stock Brokerage

Muir liquidation: unanswered questions

The liquidation of the assets and accounts of the old New York investment house John Muir, which became identified with the large-scale bringing out of new companies' stock issues, raises several questions.

Largely unanswered is how an investment firm with only $1 million in revenues in 1976 was able to zoom to $40 million in revenues by 1980, by capturing one-third of the new stock issue market. The explanation that Ray Dirks, who took over John Muir around 1976, was a "genius" begs the question, especially among those acquainted with the unable-to-concentrate Mr. Dirks.

What sort of firm would hire Jerry Rubin as its communications officer? How did Muir get involved with Cayman Islands Reinsurance, with which it is accused of having conducted a dirty deal? A little bit of investigation would establish that Cayman Islands Reinsurance is a property of Lloyds of London. If Muir's dealings were so shaky—and, as *EIR* has noted, all of Wall Street knew they were—why did the SEC allow Muir to operate for so long?

Still another question concerns Carl Lindner, the head of American Financial Corporation who gave Muir its critical margin of liquidity by buying $4 million of Muir's subordinated debt. There is evidence that Lindner, who sits with Max Fisher on the board of United Brands, is linked to controllers of the $200 billion a year illicit narcotics trade.

It appears that Muir was simply an intelligence and money-laundering conduit for some person or agency. The identity of this agency, and why it chose to shut Muir down now, is the most intriguing question of all.

Banking

Citibank begins sell-out to Canadians

Citicorp Chairman Walter Wriston announced early this month that he is contemplating selling off the bank holding company's major asset, Citibank, which hasn't been faring well profit-wise due to Paul Volcker's high interest rates. As *EIR* reported, Wriston told financial journalists that he was thinking of "stripping down" Citibank, which currently represents almost $100 billion of Citicorp's $120 billion in assets, to a "barebones" operation, and sell it. This would leave only consumer loans at the bank, about $20 billion worth, to be dumped to a foreign bank or other undiscriminating buyer.

Wriston claimed he was only "fantasizing" about this stupendous move, but in fact, Citicorp's sell-off to foreign buyers has already begun. Citicorp announced Aug. 17 that it is selling one of its most "prime" real estate investments, a plot covering two-thirds of the east side of Lexington Avenue between 52nd and 53rd streets in Manhattan, to the Canadian developer Cadillac Fairview, whose major stockholders are Edgar and Charles Bronfman, the owners of Seagram Liquors, and two of the most notorious drug-linked operatives on the North American continent. Cadillac Fairview holds $2 billion in real estate.

Sale of the property represents an open admission by Citicorp that its days of profitable expansion are over, and the time to retrench has come. Citicorp had planned a new office tower to expand Citicorp Center on the site. Real estate analysts estimate the value of the property at almost $100 million.

Citicorp sold a related site across Third Avenue from Citicorp Center to the Houston-based developer Gerald Hines earlier this year.

Briefly

● **TIM MCNAMAR,** the Deputy Treasury Secretary, announced Aug. 18 that the U.S. is now demanding Third World countries raise domestic food and energy prices in return for international loans. On behalf of the Treasury, McNamar vetoed a $20 million loan to Guyana by the Inter-American Development Bank for rice production on the grounds that Guyanese food prices are too low.

● **THE U.N.** World Nutrition Council is demanding that all Third World countries remove domestic price subsidies for food, allowing food prices to rise to world levels. The council cites as its model Zimbabwe, where food prices rose by 30 percent when the government removed controls.

● **U.S. BANK** borrowing in the Eurodollar market rose by a stupendous $36 billion in the month of July alone, Morgan Guaranty bank reports, compared with $6.7 billion for all of 1980. Most of the borrowing was occasioned by the wave of corporate takeovers, starting with the recent Conoco sale, for which corporations established a total of $49 billion in credit lines, much of it in London.

● **THE FEDERAL RESERVE** announced Aug. 20 the opening of the Fed discount window for beleaguered savings and loan associations in need of ready cash to stay solvent. This won't provide any major help for the S&Ls, however, says the Federal Home Loan Bank Board. "The Fed isn't an open-fisted lender," said a Bank Board source.

● **PRUDENTIAL** Insurance Co. is trying to bail out the threatened U.S. real estate market bubble. The Pru announced this week a campaign to raise $1 billion from 450 of the pension funds it advises to buy official buildings and industrial properties which developers can no longer afford to hold.