Business Briefs

International Credit

IMF generous with Argentine government?

Christian Brachet, director of the International Monetary Fund (IMF) delegation visiting Argentina in early October, has reported that he sees no problem in granting that country a standby loan with "no conditions" attached. The IMF team, the first members of which arrived in Buenos Aires on Sept. 22, has reportedly been discussing a $1.7 billion standby loan that would be made available sometime between October 1982 and March 1983. Of its $40 billion foreign debt, Argentina must pay $12 billion in the second half of 1982. It is already officially in arrears by $2.3 billion, and some analysts estimate the figure is as high as $5 billion.

Diplomatic sources say that the IMF's apparent generosity toward Argentina is explained by the fact that this South American nation has already complied with the type of "conditionalities" that the IMF normally demands for a standby loan (see Special Report). According to an official at the Argentine central bank, "this will be the first time that it will be unnecessary to recommend a recession *before* getting an okay for a standby." Argentina is already in a recession.

Development Strategy

'Argentina needs courage,' says Goldman

A lengthy interview with the *EIR* Economics Editor David Goldman, which includes a detailed explanation of how the economic quackery of Milton Friedman and his protégés like former Argentine minister José Martínez de Hoz have devastated Argentina's economy, was published in late September in the weekly magazine *La Semana*, edited in Buenos Aires.

The interview begins with a description of Goldman: "Now, he is certainly a good deal more than the youth who graduated from Columbia University and obtained his postgraduate degree in the very prestigious London School of Economics. Goldman edits . . . an important economics magazine that circulates in the United States and Europe. Two of his books have sold by the hundreds of thousands—*The Ugly Truth About Milton Friedman* and *Dope, Incorporated*—and he is considered one of the intellects with the most promising future within the economic advisory cabinet of the U.S. Democratic Party."

In the interview, Goldman describes how the application of monetarist economic policy systematically dismantled Argentina's industry. He added that even in its current economic crisis, Argentina still maintains the capacity to develop, provided it demonstrated the courage to apply correct economic policies.

West Germany

New Morgenthau plan for deindustrialization

A major reason that certain banking families in Europe worked actively to topple the West German government of Helmut Schmidt is that they seek to use the resulting period of political chaos to impose what amounts to a new "Morgenthau Plan" for the West German economy, sources told *EIR* at the beginning of October.

"Germany must get out of all heavy industry," a member of the elite Mont Pelerin Society told *EIR* in off-the-record discussions, "get out of steel, auto, chemicals, machinery, and other industry. These industries are dead. Entire industries must be phased out. Plants must be closed, entire companies bankrupted and shut."

U.S. Treasury Secretary Henry Morgenthau proposed in 1944 to "take every mine, every mill and factory, and wreck it. Steel, coal, everything."

The plan, the economist said, was discussed at a secret Sept. 7-10 meeting of the Mont Pelerin Society, the organization of European oligarchs led by Bavarian Prince Max von Thurn und Taxis and Austrian pretender Duke Otto von Hapsburg. The meeting, which also discussed the idea of toppling the Schmidt government with members of the Free Democratic Party, many of whom are Mont Pelerin members, occurred shortly before the Schmidt government fell.

The strategy is to plunge Germany into a new "Weimar period" of political chaos, the economist stated, during which the nation will see a succession of governments, each of which is incapable of managing the economy. As a result of this, the German federal deficit will go "out of control," he said, "the finances of Germany will go to pieces." When this happens, he said, "the West German mark will collapse, and there will be huge capital flight out of Germany." Major German banks would go under, he predicted.

The point of the chaos will be to deliberately create the environment in which entire segments of the industrial economy go bankrupt, he stated. "Now is the chance to change the industrial base entirely," he said. "We must have more bankruptcies such as that of AEG."

Replacing industry, the Mont Pelerin economist said, will be "technetronic" light electronics such as computers, telecommunications, and other "post-industrial" sectors.

Insurance

Economic warfare continues against Mexico

Mexico could be forced to further slash imports from the United States during the fourth quarter of 1982, a top insurance expert told *EIR* Oct. 1, "because Mexico has no dollars to pay." Mexican public companies "are cutting import orders left and right," he said. All insured exports from the United States to Mexico, which amount to $250 million a quarter, "have been cut off completely because nobody will insure exports to Mexico anymore," he stated, and non-insured exports are following the same pattern.

The source stated that not only the Eximbank but also AIG and all private insurers had cut Mexico off, which alone would reduce U.S. exports to Mexico annually by $1 billion. Private exporters not previously insured, who shipped an estimated additional $15 billion to Mexico last year, "have been trying to get insurance now for the first time, and have been told 'No,' " he said. "So if they don't believe that Mexican importing companies, either public or private, will get the dollars from the government to pay import contracts, now they may not export at all," he said.

Rumors sweeping the financial press are also feeding this problem. The Sage Corporation, a consulting firm, for example, has issued a report to exporters, which claims that people should "just write Mexico off completely," because there will be no dollars at all to meet import needs."

Flight Capital

Hoax behind Latin American debt crisis

Private investment trusts based in offshore banking centers and administered by European oligarchical families have been chiefly responsible for the grave debt-payments crisis in Latin America. These investment trusts control the hard-core $150 billion deposit base of the Eurodollar market. Through this control, these investment trusts have triggered a capital outflow out of Latin America since 1980 conservatively estimated at $50 billion.

In Venezuela, $20 billion was removed from the country's capital base during 1980-81 through offshore channels set up by oligarchical interests. During 1981, $8 billion left Argentina by the same means. When added to the $20 billion flight capital loss reported officially by the Mexican government, this indicates that $48 billion has left these three countries alone.

A large proportion of this flight capital has been "financed" by short-term borrowings from New York and Euromarket banks. These short-term debts have been "refinanced" and "rolled over" by devaluations, raids on the foreign-exchange reserves of those countries, and to a certain extent, medium-term debt consolidation financed by the governments of those countries.

Were these funds repatriated and made available to the central banks of the three cited countries, all would be *entirely solvent* and able to meet payments on their currently due debt and interest rates. The engineering of this flight-capital seizure of the wealth of Latin America is now threatening the integrity not only of the countries involved, but also of their U.S. bank creditors, who have been foolish enough to finance this outflow.

The chief benefactors of this outflow have been the Swiss and London-based private investment trusts which use Latin American flight capital to bolster their own investment schemes.

A more detailed account of the Latin American flight-capital crisis, prepared by an *EIR* team, will be forthcoming in a future issue.

Fiscal Policy

Mitterrand out to pick Frenchmen's pockets

The Socialist government of France is now caught in its own vicious cycle of social redistribution followed by stringent fiscal policies as the state deficit grows. First, the very rich were targeted. Then, it was the professionals, as vacation homes were taxed. Budget Minister Laurent Fabius will hunt down every Frenchman's income in order to cover his budget deficit.

Now, "accessory" consumption of the man in the street, such as alcohol of 25 degrees or more and cigarettes will be taxed, by 10 francs per liter and 1 to 3 francs per package respectively, if the proposal by Minister of National Solidarity Pierre Beregovoy is voted up in November.

Aimed at raising altogether around 30 billion francs to finance the social security system is a new hospital bed tax of about 25 francs per night. Already doctors have been persuaded not to prescribe "too much medicine." For the year 1982, Beregovoy announced proudly that the social security system will have saved a total of 19.9 billion francs by the end of the year—cutting 3.45 billion for the sick, 0.8 billion for the old, 3 billion for family welfare, and 10 billion for unemployment.

The line fed to industrialists and trade unions by Minister of Research and Technology Jean-Pierre Chevenement is that all these sacrifices are for the worthy cause of ushering France into the computerized society of tomorrow. But how is the Chevenement type of economy supposed to work if the labor force's standard of living and purchasing power are being systematically undermined.

Briefly

- **INDONESIA** has been hit with a 36.5 percent drop in oil revenues in the first six months of this year compared to 1981. The decline is due to the fall in world oil demand, and the oil cartel's newly introduced policy of putting quotas on member nations' output. Indonesia is outputting 300,000 barrels per day under its capacity to match its quota. Indonesia derives 70 percent of its overall export revenues from oil sales.

- **TIP O'NEILL,** the Boston Brahmins' Speaker of the House, told the House Banking Subcommittee on Sept. 28 that the country needs a new Reconstruction Finance Corporation (RFC) like the one established by Herbert Hoover in 1930. O'Neill has joined Lazard Frères partner Felix Rohatyn in championing the new RFC, whose purpose, as it was in the last depression, is to put a vise on new lending to corporations and banks.

- **PHILIPPINES** exports fell 9.9 percent in the first six months compared to 1981, pushing the country's current account deficit well over $1 billion. By year's end, with prospects for sales of its major commodities—coconut oil, sugar, and copper—looking bleak, the country may land a deficit of over $3 billion.

- **FORD MOTOR** Company will begin to solicit bids in October for its promised $1.2 billion retooling, according to machine-tool industry sources. However, the machine-tool industry is viewing the potential orders as a mixed blessing. Not only is Ford expected to extract such low prices from the machine-tool suppliers as to force the suppliers to produce at a loss, but Ford will force them to provide the bulk of the financing for the purchases. Competition in the machine-tool industry is so severe that auto manufacturers are forcing producers into constant rounds of underbidding.