Business Briefs

Econometrics

Wall Street Journal echos *EIR*

Confirming *EIR*'s assertion that the LaRouche-Riemann Economic Model alone has been able to make accurate predictions of both the long-range and intermediate-range course of the economy, the *Wall Street Journal* gave lead coverage Feb. 17 to the failures of all other econometric models. Excerpts from the article, entitled, "Clouded Vision: Forecasters Overhaul 'Models' of Economy in Wake of 1982 Errors: They Admit They Heralded a Recovery Too Quickly But Learned a Lesson: Critics Fear Future Mistakes," follow:

"If talk of an economic recovery this year sounds familiar, it is because most economic forecasters also predicted a recovery last year—and they were dead wrong.

" 'I've been forecasting 15 years, and last year was the worst,' admits Lawrence Chimerine, the chairman of Chase Econometrics of Bala-Cynwyd, Pennsylvania, one of the nation's largest economic forecasting firms. In late 1981, Chase Econometrics assured its 650 clients—who pay $15,000 to $22,000 for its forecasts—that the recession would end in the second quarter of 1982. But the slump dragged on all year.

"Chase Econometrics has plenty of company. The crystal balls of such leading prognosticators as Data Resources Inc. and Wharton Econometric Forecasting Associates also were faulty. Indeed, for most economic forecasters last year's predictions were the worst on record, says Stephen McNees, a Federal Reserve economist who monitors such forecasts. And Treasury Secretary Donald Regan says overly optimistic government forecasters, . . . 'missed the whole thing. . . .'

"Economic models 'are irrelevant,' declares Gary Shilling, the head of a New York consulting and forecasting firm bearing his name. 'They're based on a normal postwar business cycle. But every forecaster these days should get up in the morning and while brushing his teeth say, "This is not a normal post-war cycle. . . " '

"The models predicted solid economic growth for the second half of 1982, overestimated the inflation rate, and underestimated the unemployment rate. . . ."

As *EIR* has reported, its U. S. forecasts for the past 13 quarters have been right on target, unlike those of any competitor.

World Debt

Peruvian politician backs joint renegotiation

Peruvian congressional leader Alvaro Landini has called for his country to act on a continental scale for a global debt renegotiation, Lima's *El Observador* reported in mid-February. Landini, a member of President Belaunde's Accion Popular Party (APRA), received the support of the social democrats around the APRA party. APRA's secretary-general, Allen García, urged his colleagues on the floor of congress to back up Bolivian President Siles Zuazo's inaugural call for joint debt renegotiation.

Peru is also resisting IMF demands to trim the budget by one-third, which, not coincidentally, corresponds to the sum of Peru's foreign debt. *El Observador* notes that the country's reserves are currently down to a drastic $682 million, less than the $750 million required for three months of import needs. The conclusion of *El Observador* is that the debt should not be paid, since this would only "increase IMF dictatorship" over the country.

Public Policy

Rockefeller sets up debt-collection body

The Council of the Americas, created by Rockefeller and Morgan banking interests, has set up a new Commission on Latin American Debt and Governmental Politics. The Commission was initiated directly by the Ditchley Group of private bankers and David Rockefeller, according to a Council of the Americas spokesman, with the express purpose of drafting a uniform policy on dealing with Latin American debt. This policy is intended for *both* the Democratic and Republican party platforms for the 1984 presidential campaigns.

The new commission's policy recommendations, the spokesman continued, will become debt policy for the next U.S. administration, and it is likely that the Reagan administration will adopt these recommendations for the interim period.

According to a member of the Commission, the group will be run by a steering committee headed by former Carter State Department official Robert Hormats and Celanese Corporation chairman John McCumber. Members include David Rockefeller; William Ogden, the Chase Manhattan official who chairs the Ditchley Group; Russell Marks, head of the Society of the Americas; and Robert Lindsay, vice-chairman of Morgan Guaranty and responsible for the bank's Ibero-American operations.

The source admitted that Rockefeller, although de facto chairman of the commission, did not want his name linked with the group, since that would "poison our work with the developing sector." Nor does the commission want the formal participation of the IMF or the Bank for International Settlements, since that would make it appear to be merely "a subcommittee of the international enforcers."

The commission will be unveiled at a New York press conference on Feb. 24.

International Credit

Chase takes off the gloves to LDCs

Making no attempt to veil its threats, Chase Manhattan's Economics Group informed the world's non-oil-producing LDCs that there will be no more credit and no less domestic austerity in 1983—which means genocide for these nations' populations.

In its Feb. 14 *International Finance* newsletter, Chase "warns" the developing sector that any "second looks" at economic priorities, in the context of "rising optimism" about lower oil prices and a possible recovery in the United States, will not be tolerated by the "taskmasters" of the "international banking community."

The current-account deficits of these LDCs fell by some $10-12 billion last year, the newsletter states, for the most part against the will of those nations, due to depressed commodity prices, stagnant trade, and high interest rates. Chase fails to note that all three of these factors are deliberate policy on the part of the international banks.

But, Chase warns, the purpose of any drop in world oil prices is not to alleviate the crisis. Any "intense domestic pressure" within developing-sector nations to take advantage of lowered interest rates and cheaper energy must be contained, because there will be no change in lending policy.

There was a drop in net private financing of non-oil LDCs, Chase states, but that drop would "have been even more abrupt without collective action to sustain various large debtors," i.e., without the IMF's dictating severe domestic austerity to Mexico, Brazil, and other nations. This policy will remain in effect, with IMF and private-sector lending going solely to those LDC nations possessing some "collateral"—oil.

Comecon

Poland's debt team replaced in shake-up

The leadership of Bank Handlowy, the foreign trade bank that handles the renegotiation of Poland's foreign debt, is changing hands. Both the bank's Chairman, Stanislaw Kobak, and his top deputy, Jan Woloszyn, will leave. Kobak has held his Bank Handlowy post only since mid-1982, but Woloszyn's career in Polish banking goes back many years, and he was lead negotiator at the sessions where Poland's 1981 and 1982 debt to commercial banks was rescheduled.

The shuffle of banking personnel follows a review of debt policy that is apparently still in progress. Poland's application to join the International Monetary Fund may not be considered until late 1983, according to New York banking sources, and in the meantime, Polish economic officials are understood to be studying alternative approaches to the debt crisis; one of these would be common efforts with Third World nations in a debtors' cartel, to obtain long-term rescheduling and new credits to finance investment and revive trade.

The commercial banks' Vienna-based coordinating committee for Poland, *EIR* has learned, recently sought to send a team to Warsaw to begin negotiations about payments due in 1983, but was told not to bother until further decisions had been made by the government. Woloszyn, who will retire, is wistfully described by creditors as "a moderate." London sources acknowledge that Finance Minister Stanislaw Nieckarz will have increased influence and that Nieckarz is collaborating with Deputy Prime Minister and Planning Commission chief Janusz Obodowski. The latter has publicly advocated that Poland make a joint policy with Third World debtors.

Oil Products

OPEC members liquidate foreign holdings

As a result of collapsing oil income, Nigeria is reported to have begun withdrawing funds from Japan, JIJI press reported. Feb. 14. Japanese Central Bank governor Haruo Maekawa informed the Japanese cabinet about the withdrawal. The amounts were not revealed.

Japanese banking sources speculate that Nigeria, which is faced with a massive budget deficit, liquidated Japanese government securities, in which the majority of OPEC deposits in Japan are made.

The Japanese daily *Yomiuri* reported Feb. 15 that since 1981 there has been a marked downturn in OPEC investments in Japanese bonds, as a result of the decline in oil income from declining oil prices. Saudi Arabia's purchase of Japanese bonds was half of the 1981 level in 1982, dropping to $2.7 billion. Kuwait is reported to have liquidated nearly $500 million in Japanese bonds in the fourth quarter of 1982.

According to New York analysts, the "inevitable" withdrawal of OPEC funds from foreign institutions will begin with Japan, since it is the "least lucrative market." Continental Europe is seen as the second investment area where withdrawals will soon occur. OPEC investors will leave funds in the United States, while it maintains high interest rates.

Briefly

● **RICHARD LYNG,** a deputy secretary with the U.S. Department of Agriculture, told European and Japanese representatives that their nations' agricultural policies were "contrary to a policy of liberalized trade." Speaking at the early February Second European Agricultural Conference in London, Lyng urged that other nations adopt U.S. policies of dropping price supports and dumping on the world market.

● **THE AMERICAN** Iron and Steel Institute reports that steel imports into the U.S. dropped 16.3 percent in 1982 compared to 1981. Eliminating misconceptions such as "rising imports" or "dumping of foreign steel," the figures show that total steel imports for 1982 were down to 16.7 million tons, from 19.9 in 1981. Imports of Japanese steel sank from 6.2 million tons in 1981 to 5.2 million tons last year, while Europe's imports were cut 13.7 percent. The greatest loss was recorded by Canada, whose imports plunged 36.4 percent.

● **DUN AND BRADSTREET** reports that U.S. business failures are up 55 percent in the first five weeks of 1983 from the same period in 1982. The year to date reported failures is 3,145, compared to last year's 2,031. According to the report, the number of failures of companies with liabilities of more than $100,000 rose from 206 in the first five weeks of 1982 to 340 in the same period this year. The largest increase in business failures occurred in the service sector.

● **BRAZILIAN** banking sources in New York reported Feb. 18 that Banco do Brasil may have gone up to $1 billion in arrears for the first time. Until now, the biggest U.S. banks have been giving Brazil the equivalent of "overdraft" privileges by paying Brazil's bills with the banks' own funds. Now they are bouncing some of Brazil's checks. On Feb. 17, Banco do Brasil failed to meet $70 million in debt obligations; and it went "deeper into the hole" the next day.