

Business Briefs

Ibero-America

'Tough fight' with the IMF anticipated

Ibero-American leaders will prepare a common position on the debt crisis for the September meeting of the International Monetary Fund, according to agreements reached at meetings in Quito, Ecuador and Buenos Aires, Argentina in the second week of August.

Argentine President Raul Alfonsín predicted on Aug. 12: "It will be a tough fight; we will have to resist pressures from several sides and fend off attempts at isolating [individual debtor nations]. It will be a difficult fight, but a just one." Alfonsín was in Quito, participating in a "mini-summit" on debt convened on the occasion of the inauguration of the new Ecuadorian President.

Alfonsín declared that "most obstacles" in the way of a common continental stand had been removed. "Latin America will expound to the IMF the necessity of renegotiating its foreign debt on a new basis. . . . We agree that each country can continue its bilateral negotiations, but based on a common strategy. Latin America must define a formula to pay its foreign debt, but at low rates of interest."

Canada

Hard times for wheat farmers, cattlemen

"Farming as we know it is ended here," says Emil Gundlock, a grain farmer and manager of Southland Insurance in Lethbridge, Alberta. While the Canadian Wheat Board just announced that it has surpassed its targets for 1983-84, reports from Alberta indicate that 50% to 75% of farms in western Canada will be bankrupt in the near term.

Although the official estimate of the Alberta Department of Agriculture indicates that 50% of the farming industry is expected to go under, Gundlock predicts that it will be as high as 75%. "The compound effects

of a debt load of \$100 billion, with interest rates at 14%, and a drought much worse than the depression days, mean we will be lucky if 25% of us survive."

The whole industry is being hit: farmers, machine dealers, short line farm producers, cattlemen, feed lot services, and so forth. Ranchers are now slaughtering their yearlings early because feed grain doubled in cost in a year and supply is down to a trickle.

Leonard Vogelaar, president of the Alberta Cattle Feeders' Association, reported to the *Globe and Mail* on July 30 that "the stock for livestock feed is so low it could be depleted by the end of August." Gundlock stressed that the native grass and straw is so high in nitrate, it will kill the cows. "The cattlemen are forced to sell their animals a dime on the dollar to whomever can feed them," he said. "This is a major disaster, not a minor nuisance. We will need massive aid. Western Canada has become a disaster area."

Banking

Demand investigation of First Pennsylvania

Andrew Racz of the New York brokerage firm Rooney, Pace, has accused First Pennsylvania Bank of "irresponsible bank lending" to his former associate, Stanley Mann. Mann, whose career as a Wall Street high-flier during 1981 and 1982 came to a sudden end through loss of commodity and stock investments, was involved with Racz and others in major stock purchases in Bache Securities, Hardwicke Corporation, and other firms.

In a letter to First Pennsylvania chairman George Butler dated Aug. 1, Racz demanded "the appointment of a blue-ribbon committee . . . to investigate your bank's relationship with Stanley Mann."

Racz alleged that Mann financed commodity-market losses of close to \$20 million through loans from First Pennsylvania. "Most of the investments Mann made through me or through my contacts were made on money borrowed from the First Pennsylvania Bank," wrote Racz, including

"a \$4 million loss in a single day" in 1981 and "a one-shot loss of between \$13 million and \$17 million" in commodity-market mistakes.

Racz added: "First Pennsylvania was the first bank to apply for FDIC assistance . . . this relationship of yours with Mann and his company . . . represents exactly the kind of irresponsible banking . . . that led this country into a full-scale banking crisis."

Mann's former associate warned that he has additional information to be made available to federal regulators should First Pennsylvania fail to make full disclosure.

Mergers

City of London anticipates trouble

The merchant bank S. G. Warburg of London announced Aug. 14 that it was pulling an unprecedented coup in the City of London by merging with leading brokers Rowe & Pitman, stock-broker Akroyd & Smithers, and government broker Mullens & Co., to form a \$460 million group able to compete in size and service range with the large U.S. investment banks and financial services houses.

Sources in the City stress that this merger, which occurs after no fewer than 25 partial or total takeovers and acquisitions among City bankers, brokers, and jobbers, represents one more step to "capitalize the financial institutions here so that they can go through the expected financial crash with as little damage as possible." More such actions are expected.

Agriculture

USDA lies about harvests and stocks

The U.S. Department of Agriculture announced its official estimates for the United States and other northern latitude grain har-

Briefly

● **AGRICULTURE** is America's most hazardous industry, according to the National Safety Council's 1983 Preliminary Accident Report. "The 1983 death rate for agriculture was 55 deaths per 100,000 workers, a 6% increase over 1982. This compares to an average of 11 deaths per 100,000 for all industries," said David Baker, University of Missouri-Columbia extension safety specialist.

● **ANDRE SZASZ**, the executive director of the Dutch central bank, maintains that "industrialized nations' central banks should guide the amount of international lending and the choice of countries that receive loans," the AP-Dow Jones wire reported Aug. 15. Central banks, he said, should develop guidelines to determine what constitutes "excessive" lending and undue concentration of risks. The measures proposed by Szasz would centralize international credit flows in the hands of a close-knit oligarchy of Swiss-linked central bankers.

● **SAUDI ARABIA** will purchase 10 new Boeing 747 airliners with \$1 billion worth of oil. The newly signed agreement stipulates that the Saudis will pay for each of the \$100 million planes with a quantity of oil equal in value at the official government price. "We'll never see it [the oil]," commented John Newman, a Boeing spokesman, on Aug. 15.

● **KUWAIT** has signed a \$300 million arms deal with Moscow, which includes anti-aircraft missiles. It is expected that behind the arms deal will follow Soviet military advisers to train the Kuwaitis in the use of the weapons. Kuwait signed the deal six weeks after the United States refused to sell it "Stinger" anti-aircraft missiles for defense against Iran.

● **BRANCH MOTOR Express**, unable to pay \$23 million in loans, filed for bankruptcy on Aug. 14 and will lay off its 2,300 employees. The company has 63 terminals in 16 states, concentrated in the Northeast.

vests on Aug. 10, predicting the third-largest ever U.S. wheat harvest this year. The USDA expresses regret that the crop prices to the farmer will remain low because of "surpluses."

However, says the USDA, the farmer can thank the Soviets, who are buying so much U.S. grain because their own harvests will be down 10 or 20 million tons this summer to less than 180 million tons. (See *EIR*, Aug. 21.)

official figures on their annual harvest since 1980, and the CIA no longer studies Soviet grain supplies since they were ordered to stop in 1975 by Henry Kissinger.)

EIR disputes the Department's optimistic conclusions. While yields are high (40 bushels per acre)

and other wheat belt states, there are many other regions of very low yields of 10-12 bushels per acre, because of the weather, winter freeze, lack of proper fertilization, etc.

The USDA predicts that the corn harvest will be the fourth largest ever, and calls it "beautiful." In fact, a bonanza corn and feedgrains harvest was required to make up for last year's corn disaster, when the harvest fell 50%. The oats harvest this year will be the smallest this century.

Because of the 1983 feedgrains disaster and the farm bankruptcy crisis, livestock and hog numbers are way down, and falling fast. These meat shortages will show up by the end of the year, and dairy prices will also soar as farmers are forced to cull their herds.

The USDA also released figures showing that "only 37,000" farmers—2%—are going out of business this year. In fact, the rate is more like 54,000—over 1,000 farmers a week.

The Debt Bomb

Frankfurt baron sees U.S. banking crash

Baron Johann-Phillip von Bethmann, who two years ago sold out his shares in the three-century-old family bank—which ruled supreme in Frankfurt before the Rothschilds—

has predicted in an interview a giant financial collapse.

The interview appeared in the West German weekly *Stern* Aug. 16, under the headline, "Many U.S. bankers are more or less broke." Excerpts follow.

Q: Recently, the specter of an imminent depression like that of the '30s has been looming. Is this concern justified?

A: I fear it is. The Americans owe their upswing entirely to an immense generation of money and massive debt at overwhelming interest rates. This is a very fragile basis for an economy . . . the plummeting of gold and raw materials prices is a harbinger of the fact that it is not hyperinflation, but deflation which is the more likely disaster that will strike . . . the bills now have to be paid.

Q: And the debts cannot be repaid?

A: No. Only the intervention of the state succeeded in stopping the collapse of Continental Illinois. The billions in losses were first and foremost due to rotten domestic clients . . . and the bank's Latin American claims are also worthless. . . .

Q: Are the other U.S. banks in better shape?

A: Not in the least. They have as many dubious clients or Third World debtors so that they are also broke, more or less.

Q: But crisis-management has worked until now?

A: Of course, attempts will continue to stop these huge bankruptcies. But to me, these efforts are just like the usual reschedulings of Latin American debt. It's all patchwork. It is like a natural law: There are too many worthless dollar debts in the world, and they cannot be settled without debt forgiveness—or inflation. But it must lead to a great crash, with a spectacular chain reaction of bank collapses and corporate bankruptcies. . . .

Q: What would a U.S. crash mean for our economy?

A: If the dollar collapses, the dollar securities held by the Bundesbank and our investors will be in danger. German exporters will suffer.

Q: And could this all still happen before the November presidential election?

A: I cannot rule it out. The situation is highly explosive, and totally miscalculated. . . .