

Business Briefs

Banking

Run developing on Texas thrifts

While Congress is debating whether to give the Federal Savings and Loan Insurance Corporation (FSLIC) a \$5 billion or \$7.5 billion bailout, George Barclay, an executive vice president of the Dallas Federal Home Loan Bank (DFHLB), has stated that about \$4 billion will be needed just to deal with Texas savings banks.

The situation has gotten worse since March, he said, when FSLIC was forced to give the DFHLB \$1 billion in cash to support FSLIC-backed loans.

He said that there have been several well-publicized failures of S&Ls in Texas and depositors are pulling their money out. Several pension funds and other large customers have already pulled out, and others are considering it, Barclay said.

The regulators fear that rising interest rates paid by the S&Ls will put many thrifts deeper into debt and further raise the cost of the multibillion-dollar bailout regulators assert is needed for the FSLIC to restore the industry to health. "I wouldn't call it a run, I'd call it a gradual and persistent withdrawal of jumbo deposits," said Joe Selby, an executive vice president of the DFHLB.

Bankruptcy

Company accuses DoJ of 'vendetta'

A Washington, D.C.-based computer software company, Inslaw, Inc., contends that officials of the U.S. Department of Justice acted illegally to try to force it out of business in 1985, and have continued to harass it ever since. According to a report published in the *Washington Post* on June 10, the Justice Department was formerly the largest customer of the firm, which writes software that allows prosecutors to keep track of criminal cases.

The company charges that the executive

director of the Justice Department's bankruptcy trustee program, Thomas Stanton, tried to pressure then-U.S. Bankruptcy Trustee William White to convert the company's bankruptcy case from Chapter 11 to Chapter 7 (involuntary bankruptcy), so that the company could be liquidated. The case is currently being heard before federal bankruptcy judge George Bason, Jr.

Inslaw further charges that there was a "vendetta" against the company by officials including C. Madison Brewer, deputy director of the Justice Department's executive office for U.S. attorneys, and former Deputy Attorney General D. Lowell Jensen. Brewer is a former Inslaw employee who was fired in 1976. Jensen was the developer of a software package that competes with Inslaw's product.

Science & Technology

Physics Society made 'errors' in SDI critique

A review of the American Physical Society's April report denying the feasibility of the Strategic Defense Initiative (SDI) concludes that the study was riddled with errors.

EIR reached the same conclusion, in a review of the study published May 29 ("'Flat Earth Society' mounts feeble comeback").

"We found large errors in critical aspects of the report—errors of 10 to 100 on vital matters such as the power of the laser beams being developed by SDI research teams," said Lowell Wood of Lawrence Livermore National Laboratory. "These errors did not have a random character," he told a meeting of the House Republican Research Committee in May. "They were all in the direction of making a defense against Soviet ballistic missile attack seem harder than it really is."

The report overestimated, by a factor of 30, the power needed to operate a neutral particle beam weapon; overestimated, by a factor of 100, the power needed to run a free-electron laser; and underestimated by a factor of 3-5 the number of warheads the Soviets would have to take off their 10-war-

head SS-18 missiles in order to add shielding against laser attack.

"If the scientists who wrote this report applied the same criteria to the contracts that they went out to get to do their basic science research, they would never get funded by NSF, by DOE, by anybody," said Dr. Allan Mense, chief scientist for the SDI Organization. "How they can let this document get published in *Reviews of Modern Physics* without having a peer review process is beyond me."

Labor

Salomon Bros. says BLS cooked figures

Salomon Brothers, the Wall Street investment house, has informed readers of its newsletter that the figures produced by the Bureau of Labor Statistics just may not be all that reliable. The BLS, says Salomon, is using some very questionable statistical procedures to make things look better than they are.

EIR has documented that the BLS routinely "disappears" at least 75% of the Americans who are actually unemployed or underemployed.

Now Salomon has also discovered that the BLS constantly has to revise its figure for employed persons downward, because of an odd way of projecting employment figures. The Salomon newsletter of June 5 notes: "Downward revisions to the first release of payroll employment growth in the past four months are no fluke; rather, they are characteristic of a persistent upward bias in the first report. This bias has grown in the past few years. . . . The monthly change in total employment has been revised down by an average of over 23,000 per month since Jan 1985."

The BLS boosted the early employment reports in some groups by various methods, says the newsletter. If there were any kind of recovery on the way, with attendant job growth to be accepted, this would have been acceptable, "but it may no longer be appropriate."

The Debt Bomb

Brazil's Funaro has become a folk hero

Former Brazilian Finance Minister Dilson Funaro, the principal spokesman for a debt moratorium against the international banks, who was forced to resign on April 26, is becoming a national folk hero, according to a study published on June 7 by the daily *Folha de São Paulo*.

Said one reporter, when Funaro spoke at a rally, "I have not seen the equal of the scene since the time of Getulio Vargas, 'father of the poor people.'" Vargas was the populist President of Brazil for most of the 1935-55 period. The newspaper reports another citizen weeping with joy that Funaro "restored a dignity to Brazil that it hasn't had since Ruy Barbosa." Barbosa became finance minister in 1890, and fought to industrialize through mercantilist cheap credit and protection of new industries. Barbosa, like Funaro, was forced out of office by a conspiracy of international banks.

In Rio on June 9, 500 people came to hear Funaro speak at a rally, with banners reading, "Welcome, nationalist minister."

Corporatism

Justice Department seeks Teamster takeover

The U.S. Justice Department is preparing a lawsuit to take over the 1.7 million-member Teamsters Union and place it under control of a government trustee, on the grounds that it is influenced by organized crime, the *Los Angeles Times* reported on June 10.

The action is perhaps the biggest government assault on a trade union since Mussolini "absorbed" Italy's unions into the Fascist Corporations in 1934.

The Teamsters are the only major American union whose leadership is independent of the corporatist elite known as Project Democracy. They are also the only union which

supported Ronald Reagan's presidential campaigns in 1980 and 1984.

According to the *Los Angeles Times* report, the lawsuit, which is being drafted with the help of the FBI and the Labor Department, is aimed at forcing the union's executive board, including President Jackie Presser, out of office. One official said that Assistant Attorney General William Weld, chief of the Criminal Division of the DoJ, had instructed that the draft complaint should include evidence of alleged Teamster corruption.

Attorney General Edwin Meese has removed himself from any involvement in the case, because of contacts he had with Presser during the 1980 campaign and later.

Space

Soviets offer satellite launch services

The Soviet Union is apparently taking commercial advantage of the absence of U.S. launch capabilities following the series of U.S. launch failures on the heels of the January 1986 Shuttle disaster.

Leighton Farrell, a member of Australia's national satellite system, Aussat, put it this way: The U.S.S.R. is "concentrating on a high-tech sector where they feel they can really compete—space services." Farrell said that a Soviet delegation had told Aussat last month that it could provide launch services on attractive terms for two large communication satellites Australia wants to place into orbit in the early 1990s. The satellites are to serve the Southwest Pacific and New Zealand as well as Australia.

Soviet satellite launch offers have been made to a number of ASEAN countries: Indonesia, Brunei, Malaysia, the Philippines, Singapore, and Thailand.

Soviet Prime Minister Nikolai Ryzhkov said Jan. 5 that his government was prepared to grant "substantial discounts" to developing countries using the satellite launching services in the Soviet Union.

Briefly

● **WALL STREET** is playing "chicken" with U.S. Attorney Rudolph Giuliani, informed sources report, in order to block a series of criminal indictments growing out of the Ivan Boesky and related "junk bond" cases. Bankers have threatened to collapse the dollar if Giuliani does not back off from targeting such firms as Kidder Peabody and Goldman Sachs.

● **'IF MEXICO** falls into economic chaos, the center of U.S. political attention will invariably move from the U.S.'s Pacific and Atlantic allies to dealing with damage control along the Rio Grande," Henry Kissinger said recently, as reported by *El Jornada* in Mexico.

● **CARLO DE BENEDETTI** of Olivetti Corp., Henry Kissinger's favorite Italian industrialist, sponsored a lavish dinner party June 10 at Milan's Sforza Castle, in what the *Financial Times* of London called "the other summit." In attendance were members of the Italian-American Conference on Private Sector Initiative.

● **FIRST CITY FINANCIAL**, the Belzberg family firm, was charged with violating filing requirements by the SEC in late May, on behalf of a conspiracy to take over Ashland Oil in 1986. The Canadian-based Belzbergs are close Dope, Inc. allies of the Bronfman clan.

● **THE TEN TOP** Wall Street traders averaged \$68 million each in 1986. They were led by Lazard Frères' Michel David Weill, who earned a bundle declared at \$125 million. Number three was Drexel, Burnham, Lambert's "junk bond" mafioso Mike Milken, who punched in at \$80 million. Former Treasury Secretary Bill Simon was number 10, with an estimated \$50 million. Ivan Boesky, last year's winner at \$100 million, was missing this year, after paying \$100 million in penalties for illegal insider trading.