

# Business Briefs

## ***Ibero-America***

### **Harvard economist out of Peruvian banking job**

President Alan García formally announced at the end of November that Harvard economics professor Richard Webb would be replaced as head of the Peruvian central bank.

In discussing that change and the removal of Cesar Atala as minister of industry, trade, and integration, García proclaimed: "Any minister who is not good enough for the level of responsibility required will be changed after a probationary period."

He added, "Public posts are not prizes for the best Aprista [the Apra is the ruling party in Peru]." Aprista and non-Aprista ministers are "secretaries of the President for executing a policy at the speed which not only the President, but the entire government must function. . . . Until we build a capable state, we will not be able to go ahead faster."

Both of the fired ministers proved themselves to be opposed to President García's method of dealing with foreign creditors.

## ***The Invisible Hand***

### **Free enterprisers upset by Cardinal**

"How very extraordinary!" Adam Smith Institute Director Dr. Marsden Pirie said, when informed on Dec. 2 of Josef Cardinal Ratzinger's attack on Adam Smith (see page 4). "I find it extraordinary that he related this immorality to Adam Smith; that is my biggest surprise. He's just using Adam Smith's name to refer to certain kinds of behavior. It's extraordinary!" Pirie spoke from his office in London, and said he would be preparing an official Institute response to Ratzinger.

"I can't believe Ratzinger would attack Rockefeller! And I don't believe Rockefeller said what Ratzinger said he said" about Latin American Catholics, was all an aide to prominent Catholic layman J. Peter Grace could say on Dec. 5.

James Finn, head of the right-wing social-democratic Freedom House, told *EIR* on the same day that Cardinal Ratzinger's attack is "an astounding document . . . absolutely remarkable."

A prominent Catholic, Finn said he was totally unaware of Ratzinger's speech, and was virtually speechless when he learned the details. When he recovered, he tried to imply that Ratzinger reflected a "tendency in the Vatican for a 'third way' in economic theory."

An aide to free-enterprise economist Milton Friedman, an advocate of legalized heroin, replied: "That's quite a twist. Off the record, it seems to me that the Catholic Church wants everything to be socialistic and Marxist."

## ***Drug Traffic***

### **Mafiosi's bank funds confiscated by DEA**

The U.S. Drug Enforcement Administration is confiscating \$33 million from U.S. bank accounts of the Mexican narco-trafficker Rafael Caro Quintero.

The DEA announced it has located, and is in the process of confiscating, properties and bank accounts which Caro Quintero placed in the United States in the names of family members and associates. It estimates that Caro has a \$500 million empire in the United States.

A \$7.8 million Caro cache was found in various accounts in San Diego branches of Bank of America and Crocker Bank.

## ***Banking***

### **Mortgage company collapses in Virginia**

Another major second-mortgage company has collapsed, according to the Nov. 30 *Wall Street Journal*, in an article on Landbank Equity Corporation of Virginia Beach, Virginia, the largest second-mortgage operator on the East Coast.

In 1983, Landbank Equity placed \$20 million in loans; by 1985, it was placing \$185 million. It made loans to otherwise unqualified borrowers at usurious rates and then sold its loan paper through such agents as Prudential Bache to financial institutions, particularly thrifts. Since its loans were at exorbitant interest rates, it paid very good rates to discount its paper, which were "high risk." In fact, it seems to have had a 50% default rate on some of its mortgage packages.

In Virginia, second mortgage companies aren't licensed and aren't regulated. An effort to change the law was defeated by State Sen. Peter K. Babalas, who, it turns out, was retained by Landbank as its legal advisor at a salary of \$8,000 per month.

## ***American System***

### **Labor minister cites Leibniz on economics**

In his opening remarks to the National Wages Council of Colombia, Labor Minister Jorge Carrillo drew on Henry Carey and G.W. Leibniz to emphasize the need for a "harmony of interests" between labor and producers:

"A policy of agreement is appropriately inscribed in the doctrine of the harmony of interests elaborated by Abraham Lincoln's economic advisor, Henry Carey. A republic can sustain itself and advance and prosper only if industrialists, agricultural producers and workers—who share the common objective of the well-being of the nation—form an alliance for production. The development of the productive powers of labor are the genuine and common economic concern of all citizens, and therefore, of all sectors.

"As Wilhelm Leibniz explained in his 'Society and Economy'—the first of his writings that created the science of economics—there is a wage level below which the quality of labor deteriorates. It is therefore a fact that wages and working conditions which represent a level below that which Leibniz considered minimal is damaging to employers and workers alike. 'Cheap labor' is not less costly labor. 'Cheap labor' is less productive labor. To maintain and improve

the buying power of the low-income worker is not simply a matter of elemental social justice, but is also healthy from an economic point of view. . . ."

### **Dirty Money**

## **National bank caught in illegal transactions**

Once again, the U.S. government has caught a major bank in laundering dirty-money, and effectively done nothing about it.

The National Bank of Detroit has now been caught in illegal money transactions, according to a note in the *Philadelphia Inquirer* on Nov. 30.

National agreed to pay a settlement of \$168,000 to the U.S. Treasury for failure to report 764 currency transactions between 1980 and 1985 as required by the Bank Secrecy Act. The bank "initiated and cooperated" in the investigation that led to the penalty, the Treasury Department said.

There was no evidence that the bank knowingly engaged in money-laundering or criminal behavior in connection with the violations, a spokesman insisted.

### **U.S. 'Recovery'**

## **Crisis for S&Ls intensifies**

Savings and loan deposits continued to fall for the second month in a row, as withdrawals exceeded deposits by nearly \$1 billion. In the first 10 months of 1985, deposits fell by \$4 billion overall, compared with deposit growth of \$47 billion during the same January to October period last year, the Federal Home Loan Bank Board said.

In October, withdrawals topped deposits by \$997 million. The decline in the month of September was \$5.1 billion.

On Nov. 30, Jack Anderson devoted a column to the S&L problem under the headline "Savings and Loans: The Sky Is Falling." Anderson reports that regulators fore-

see a disaster sweeping the thrift industry with potential destabilization of the entire domestic credit structure: "It is not just the saving and loan industry that would be swept away. The shock would spread, threatening the stability of the American financial system and ultimately the entire economy."

A report by the Government Accounting Office prepared for Virginia Rep. Stan Paris (R) states that 42% of all thrifts are either broke or near it, and the potential cost to reimburse insured depositors if the thrifts should fail is in the range of \$15-20 billion.

### **International Credit**

## **European bankers cold on austerity**

"Frankly, we would say, yes, if we were asked to make an agreement with Brazil, without the IMF." This is the private attitude of the largest bank in Scandinavia, S-E Banken, regarding Brazil's recent declaration that they would not seek a new IMF agreement.

"Many others in the banking world would agree with this. We would like to come to an agreement with Brazil as soon as possible, and the IMF negotiations have held this up. With Brazil we have no complaints; they have always paid us interest and amortization on time."

In Duesseldorf, Dr. Alfred Herrhausen, chief executive of Germany's Deutsche Bank, which has refused to join the so-called Ditchley Group creditors' club, declared that continued "austerity and belt-tightening" could bring no lasting solution to debtors' problems. Deutsche Bank is coordinator of the group of central European banks lending to Brazil.

The *International Herald Tribune* reports from Sao Paulo that Brazilian Finance Minister Dilson Funaro "expects to reach agreement with commercial banks for renewal of short-term credit without any formal commitment to a long-term rescheduling as sought by the IMF." It is not yet clear whether major U.S. banks have indicated willingness to come to terms with Brazil, without the IMF.

## **Briefly**

● **BRAZIL** has announced that it will reimburse foreign banks for 25% of losses suffered when three Brazilian banks failed in November.

● **BELCO OIL** has suspended oil exploration in retaliation against Peruvian President Alan Garcia's decree ordering the company to pay taxes it had illegally deducted.

● **LYNDON LAROCHE** was named by Henry Kissinger as a chief enemy of his on the debt question at a recent conference in Hong Kong, according to informed sources. LaRouche, said Kissinger, has "a different idea" about how to solve the looming debt crisis.

● **MAX FISHER** and Charles Bronfman presided over a meeting on the Israeli economy, beginning Dec. 2, in Miami, Florida, to discuss "privatization" of Israeli public companies.

● **MOST COMPANIES** producing non-ferrous metals in Birmingham, England, will soon go on three-day weeks, company sources report.

● **MOSCOW** has "offered" new credit compensation arrangements to Finland. Soviet Ambassador Vladimir Sobolev said on Dec. 2 in Helsinki that the proposal involves Finnish credits to modernize Soviet industries, which would be repaid with goods produced.

● **FLIGHT CAPITAL** was the main agenda item at the Mexican Doctors of Law conference, which began in Mexico City on Dec. 2. Their findings on whether capital flight is a form of tax evasion, and can be appropriated, are to be presented to Mexican President Miguel de la Madrid.

● **AUSTRIA** will finance a major dam and power plant in Hungary, in exchange for electricity supplies for 20 years.