

Business Briefs

Banking

S&L bailout now a public issue

"What was once a dirty little secret is now headline news: The American taxpayer will have to foot a bill, estimated at between \$50 billion and \$100 billion," to bail out the savings and loan industry, wrote columnist Jack Anderson on Oct. 9.

"Deregulation . . . turned out to be little more than a license to turn S&Ls into federally insured casinos," Anderson said.

Now that the bill has to be paid, backbiting has begun in earnest over responsibility for "an industry totally out of control," because of "Washington politicians either too arrogant or too ideological to head off what has become a national emergency."

Anderson's column reported accusations by S&L industry regulator Edwin Gray against Donald Regan that he intervened with Merrill Lynch to stop a \$1 billion investment package for a reeling California-based Financial Corporation of America. "Gray believes Regan's actions put the whole financial system at risk" over a petty bureaucratic feud between themselves.

Regan, the former Treasury Secretary, White House chief of staff, and Merrill Lynch chief executive, has denied the accusations.

The Debt Bomb

Argentina defaults on \$40 billion

Argentina has defaulted on \$40 billion of its foreign debt by failing to pay interest due during the third quarter ending Sept. 30.

By falling more than 90 days behind on interest payments, Argentina has forced U.S. banks to place its loans on a "non-accrual basis."

The action works out to a 36¢ per share loss for Manufacturers Hanover, 20¢ for Chase Manhattan, and 16¢ for Bank of America. The estimates were made by Oppenheimer and Co. banking analysts.

The Argentine government of Raúl Alfonsín has virtually destroyed the economy

of Argentina in its effort to pay foreign debt and comply with International Monetary Fund prescriptions—to no avail, obviously.

Ibero-America

Henry for President of Venezuela?

The platform of leading Venezuelan presidential candidate Carlos Andrés Pérez "was prepared by the creditor banks, and the misery he provokes will favor the plans of Moscow," is the headline of an ad appearing in that country's *El Nacional* newspaper Oct. 6. The ad was placed by the Venezuelan Labor Party, co-thinkers of U.S. political figure Lyndon H. LaRouche, Jr.

The body of the ad charges that Pérez's program is identical to that of Henry Kissinger, proving the charge by running side by side in parallel columns, six statements by Pérez and six nearly identical ones by Kissinger on the same subjects.

It charges that Pérez "is the favorite of Wall Street and of Moscow," and puts forth the necessity of a nationalist program, listing the key points as proposed by Venezuelan Labor Party candidate Alejandro Peña Esclusa.

Just days after Pérez publicly affirmed that under his administration, Venezuela would enter the General Agreement on Tariffs and Trade, his opponent from the Copei party, Eduardo Fernández, said he, too, thought that Venezuela must enter GATT. Fernández also called for a "reprivatization" of much of Venezuela's state sector, only to find himself publicly corrected by an official of Pérez's party, who pointed out that a lot of "privatization" has been going on for the last four years.

Both candidates are promising to trim the budget deficit by austerity measures.

Budget

Perot proffers deficit 'solution'

H. Ross Perot, the colorful Texas billionaire, has offered up his own simple-minded

solution for the federal budget deficit. As reported in the Sept. 25 *San Antonio Express-News*, Perot would:

- Let Europe and Japan pay for their own defense, "saving \$200 billion." He doesn't want to gut Western defense capabilities, he just wants the direct beneficiaries to pick up the bill.

- He would save another \$100 billion by putting a means test on Social Security to eliminate those who do not need the benefits. "There's \$300 billion," Perot said, "and we haven't even broken a sweat. It's a joke for us to pay for Japan's defense, Europe's defense, and Social Security for the wealthy."

- Perot would also "put in a computer system that collects money owed by taxpayers. That's another \$150 billion for a total of \$450 billion. But think about that—just by putting in a state of the art computer system you'd close the deficit."

Concluded Perot, "We need to pay our bills as we go in this country. . . . I decided years ago that my real role in life may be to create taxpayers."

Agriculture

U.S. to withhold drought relief?

Pennsylvania farmers report that the government plans to delay any drought aid until after the election, and then forget about it altogether. At one briefing organized by the Department of Agriculture Agricultural Stabilization and Conservation Service (ASCS), farmers were told that nothing definite could be promised, since so many changes and clarifications were being made almost every day in Washington.

Another farmer documented a greater than 65% loss in his corn crop to the ASCS, showing that he had lost about 70 bushels an acre on his 15 acres of corn. At about \$3 a bushel, this represents a loss of \$3,150 of corn for his dairy cows. He was offered a grand total of \$575, pending further red tape.

The same farmer was informed that he is required to buy crop insurance for next year, but only if the crop insurance costs one-fourth or less of the drought relief payment he gets from the government. What if it doesn't?

Energy

Fusion reactor hits record temperature

European scientists developing a revolutionary form of nuclear energy said on Oct. 10 that they had heated gases to world record temperatures of about 200 million degrees Fahrenheit—almost 10 times hotter than the Sun.

John Maple, spokesman for the Joint European Torus (JET) thermonuclear fusion project, said the over 100 million degree Celsius breakthrough had come during experiments designed to generate energy by copying the nuclear reaction which takes place at the Sun's core. The experiments, carried out by scientists from 14 European countries at Culham, near Oxford, England are aimed at taming the complex process and using it to generate electricity.

"It would be a new source which would come into use at a very important time when oil and coal were getting rather scarce," Maple said.

Unlike today's nuclear reactors, which work by splitting atoms, nuclear fusion involves forcing the nuclei of atoms together for split seconds, either by implosion of a pellet of fuel or strong magnetic fields. Maple said the JET scientists had achieved a triple breakthrough by setting record temperatures, sustaining them for periods of more than one second, and maintaining a sufficient fuel density—the three criteria for effecting fusion.

The JET experiments were carried out in a huge 260 cubic yard tube, with the temperature measured by laser beams that bounce off the plasma particles.

Municipal Finance

President Sarney bankrupts Rio de Janeiro

The city of Rio de Janeiro, Brazil declared bankruptcy in September, as the result of actions by Brazilian President José Sarney, acting to politically destroy a mayor who tried to improve living conditions in the city,

according to a detailed story in the Oct. 8 *Washington Post*.

Mayor Braga, elected last year, immediately moved to build 140 new schools, doubled the number of health clinics to 300, and launched five industrial development projects. He also insisted on giving generous pay increases above the rate of inflation. Said the mayor, "It was a calculated risk. But in a city with such violence and poverty, it's also an incredible risk not to make social investments."

Things were tight, but working, until huge floods last December left 40,000 homeless; \$40 million in aid for the victims promised by Sarney was never delivered. Then Sarney lowered the boom, by obliging Rio, and all other cities, to stop taking foreign loans, which threw Rio onto the domestic market, at very high interest rates—only to find that Sarney had also closed that path: The President ordered the cities to not only stop all new borrowing, but to repay 25% of the principal of their existing outstanding domestic loans.

At that point, in September, Braga could not meet his payroll, and 113,000 public employees, all teachers, and most medical personnel went on strike.

Economic Quackery

U.S. is a debtor nation: a myth?

The RAND Corporation has just released a study "debunking" the "myth" that the United States is a debtor nation. Well, not really.

According to RAND, the term "debtor nation" is "misleading." Why? Because the shift in the U.S. position "simply indicates faster growth in foreigners' assets in the United States than in United States assets abroad."

After this astute observation, the report explains, "The primary reason for our shift in asset balance is that in 1982 U.S. banks stopped lending \$120 billion a year to LDC deadbeats," referring to IMF-devastated "less-developed countries."

We guess that means that if usury-practicing New York banks had kept accumulating problem loans, the U.S. would be in great shape!

● **A SWEDISH** banking consortium led by Svenska Handelsbank and SE-Banken have just announced a credit issuance, denominated in low-interest ECUs equivalent to \$1 billion, to the Soviet State Foreign Trade Bank, to finance two years worth of Swedish capital goods exports to Russia.

● **THAILAND'S** Foreign Minister Siddhi Sawetsila told members of the Asia Society in New York Oct. 6, "If the protectionist tide becomes stronger in the new U.S. administration," then Thailand and the United States will be on a collision course "with adverse implications on overall bilateral relations. . . . We have remained your staunch ally because we have believed that not only is America strong, but she is good," but trade war would change all that.

● **'HITLERITE'** is the term used by Pierre Debizet, ex-head of the Service Action Civique, paramilitary arm of France's Gaullist party, to describe the "Europe 1992" project, which would eliminate all customs barriers in Europe in that year. He attacked the Trilateral Commission, and said that the intent of Europe 1992 is to transform France into a "rural, food-producing country," a project "similar to that of Adolf Hitler in 1940."

● **WEST GERMANY** "is interested in increasing the assistance it gives Panama in the field of technical training, especially in the field of metallurgy, which is already promoted here through the West German-Panama Technical Center," Ambassador to Panama Gotz von Boehmer told Panamanian Labor Minister Cesar Martans Oct. 8.

● **JAPAN** will give Burma \$450,000 worth of emergency food, Japan's foreign ministry announced Oct. 7. The aid will be provided for humanitarian reasons to help the Burmese people, whose livelihood has been seriously affected by the current political upheaval, the ministry said.