

## Business Briefs

### **Dirty Money**

#### **No 'smoking gun' found in E.F. Hutton case**

Not satisfied with the Justice Department's decision not to prosecute officials of E.F. Hutton, following the company's guilty plea of defrauding more than 400 banks of millions of dollars, the House Judiciary Subcommittee on Crime, chaired by William J. Hughes (D-N.J.), conducted a three-month search for new evidence on which to indict the higher-ups.

But that investigation also failed to turn up a "smoking gun"—providing evidence that high-ranking E.F. Hutton officials promoted practices that they knew to be illegal at the time.

The company has taken a public-relations beating, was fined \$2.75 million, and has had to set aside at least \$8 million to pay back the banks it defrauded. The Justice Department is anxiously awaiting the release this fall of the investigative reports into the company by the Securities and Exchange Commission, the North American Securities Administrators Association, and the New York Stock Exchange.

E. F. Hutton also faces the possibility of being banned, under federal securities laws, from the mutual fund business, and several states are reviewing Hutton's criminal overdraft practices to determine if state regulations were violated and to ascertain whether to suspend or revoke the firm's license to do business.

### **International Monetary Fund**

#### **Austerity plans for Sweden, Egypt revealed**

An election exposé has forced publication in Sweden of a highly confidential report of the International Monetary Fund's Executive Board, made to the government of Socialist Prime Minister Olof Palme. The report was made fully public during the sec-

ond week in August, following leaked reports of the document in opposition Swedish papers.

The International Monetary Fund "recommends," following a June inspection visit, that Sweden take drastic fiscal measures in the fall to reduce the budget deficit, slash inflation, and force wage levels down. The report attacks Sweden's exorbitant inflation rate (8%) and soaring budget deficit (\$900 million).

The Fund has also delivered a new ultimatum to Egypt, demanding "fundamental economic changes and vigorous measures." The demands include an immediate change in the policy of government subsidies, reorientation of Egyptian industry toward "primary exports," such as cotton, and wage cuts.

### **The Debt Bomb**

#### **Kissinger: Si! García: No!**

Brazilian banker and Foreign Minister Olavo Setúbal has warmly endorsed the debt schemes of Henry Kissinger, while rejecting Peruvian President Alan García's challenge to the international financial oligarchy.

In an interview published in the daily *O Globo* on Aug. 11, he declared, "We have to follow the path suggested by U.S. ex-Secretary of State Henry Kissinger, which suggested the adoption of a Marshall Plan for Latin America."

Setúbal insisted that until the "distant" future when the international system could be changed, "Brazil continues to negotiate within the orthodox rules, while we try to have a medium- and long-term discussion within the vision of the Cartagena Group. . . . That is the line of the Brazilian government."

Setúbal insisted that "the debtor countries do not have the same difficulties and therefore could not negotiate as a bloc. . . . Peru has a much bigger debt than Brazil, proportionally to its exports and its GNP. . . . Peru has to demonstrate a great

effort to meet its commitments."

Setúbal is co-owner of the Banco Itaú São Paulo, and is reportedly politically close to certain unsavory Central European banking circles.

### **Comecon**

#### **Soviet ambassador squeezes Bulgaria**

Leonid Grekov, the Soviet ambassador to Bulgaria, issued an unprecedented public denunciation of the inefficiency and all-around incompetence of the Bulgarian economy, in an interview with the Bulgarian weekly *Pogled* published in mid-August.

Proconsul Grekov criticized the low productivity and low quality of industrial goods in Bulgaria, and called on the Bulgarians to show "the same commitment to improve the economy as Soviet citizens have shown." He called for a full-scale utilization of industrial plants, which are usually operated at only 50% of their capacity now, and recommended that "the average Bulgarian worker overcome a certain, undeniable lack of proletarian consciousness."

### **Labor**

#### **Chrysler chairman demands wage cuts**

Chrysler Corporation chairman Lee Iacocca is demanding that auto workers accept deep wage cuts, as part of a new labor contract. The current contract expires on Oct. 15.

The contract negotiations opened on Aug. 13, with United Autoworkers (UAW) negotiators demanding that Chrysler workers' pay be raised to equal that of workers at GM and Ford. The base wage is now 39¢ per hour lower than GM. Chrysler executives claim that full wage parity will give the company the highest total labor costs in the industry, because of Chrysler's disproportionately large number of retired workers.

Iacocca has said that Chrysler should get "no less" than the agreement the UAW recently concluded with Saturn Corp., the new GM subsidiary, which calls for a base wage 20% below the industry average.

### **Flight Capital**

## **Guatemala sets exchange controls**

Guatemala has imposed exchange controls and will nationalize companies involved in exporting if necessary to prevent capital flight, President Gen. Oscar Mejía threatened on Aug. 16. "Now I warn all those who have to do with the dollar business or who have companies which generate foreign exchange," he said. "I would not like to nationalize the exporting companies, but we will do it if that means ending speculation and improving the living standards of Guatemalans."

The President announced that exchange houses, which have been operating legally since an attempt was made to bring Guatemala under International Monetary Fund control in February, would be closed down. During that period the speculators have forced down the value of the quetzal by two-thirds. Free exchange of dollars has been ended and illegal currency transactions have been made a criminal act, he said.

### **Africa**

## **Qaddafi does IMF's dirty work in Tunisia**

Libya's Colonel Qaddafi and the International Monetary Fund are working hand in hand, charged the Tunisian government newspaper *Al Amal* in an editorial on Aug. 11. Commenting on Libya's decision to expel some 8-10,000 Tunisian workers, the paper commented that it is no coincidence that just at the time that Tunisia is being squeezed by "international financial insti-

tutions," Libya intervenes to aggravate the crisis by trying to destabilize the fragile Tunisian labor market.

The Tunisian weekly magazine *Realités* remarked on Aug. 10 that the coincidence between Qaddafi's actions and IMF policies has "led many African economists to call for the IMF to be burned! . . . The secret behind the IMF policies is that austerity = social disorder = riots and death. . . . The IMF is the modern Genghis Khan."

The Tunisian economy is becoming increasingly fragile under these pressures. The Tunisian trade union confederation, UGTT, suspected of backing from Qaddafi and the Socialist International, has been organizing strikes against the government. The IMF and the World Bank have warned Tunisia that it must devalue its currency immediately if it wants any international assistance.

### **Ecology**

## **Forest Congress pushes World Bank's plan**

Representatives of 96 countries attended the Ninth World Forest Congress in Mexico City at the beginning of July, sponsored by the Mexican government and the U.N. Food and Agriculture Organization (FAO). The group adopted an emergency program drafted by the World Bank "to halt the accelerating destruction of tropical forests."

FAO figures show that 27 million acres of woodlands are destroyed each year, mostly by "peasants who cut the trees for firewood or to clear the land for agriculture." G. Tangikanan of the African Woods Organization reported that the world will need 2.6 billion cubic yards of wood by the year 2000. He said that 86% of all the wood consumed in the developing countries was utilized for household energy.

The World Bank/FAO plan is intended to use the issue of reforestation and reversing desertification as a cover for introducing programs that will prevent the development of agriculture and high-technology energy production, including nuclear energy, in the tropical zones of the Third World.

## **Briefly**

● **UP TO \$1 BILLION** in dirty money is laundered annually in Peru, including from the drug traffic, and certain Peruvian senators are waiting for the chance to ask some questions of Central Bank President Richard Webb, who should know something about about how it's done. Webb, a Peruvian-born Harvard economics professor, is probably the world expert on the subject, though he has never before been forced to discuss it publicly.

● **THE BUILDING TRADES** unions of the AFL-CIO met in Chicago at the beginning of August, and decided to put off their next meeting for five years. The meetings had hitherto been biennial. Attendance at the conference was low, as only 250 labor representatives put in an appearance.

● **PAUL VOLCKER** scares his own grandchildren, according to *Washington Magazine*. The Federal Reserve chief has a two-year-old grandson, to whom Volcker used to read the story of "Little Red Riding Hood." But when Volcker imitated the voice of the big, bad wolf, his voice was so deep and so mean, that now the child cries whenever he lays eyes on the book.

● **FIDEL VELAZQUEZ**, the leader of Mexican's trade union confederation, has blasted his government's apparent decision to join the General Agreement on Trade and Tariffs (GATT). Although the labor movement was not consulted, he said, "we have the right to give our opinion. And our point of view on GATT is a big fat NO! . . . The buying power of the people is disappearing and this could bring a social problem which perhaps will have more impact than the economic problem itself."