

Business Briefs

The Black Economy

Top bankers to meet in cocaine capital

An "international banking seminar" will be held in Medellín, Colombia, according to a report in *El Siglo* newspaper on July 10. William Rhodes of Citibank and other top financial operatives will attend. Medellín is the home base of the infamous Medellín Cartel of international cocaine traffickers.

The seminar will be discussing how to transform Medellín into a center for instant international funds transfers. The Medellín stock market was up 63.9% in June above a year ago, in volume.

Demography

García: The world needs more people!

Peruvian President Alan García declared, in a visit to a children's hospital early in July, that the world has the capacity to hold many more people than it currently does. "The human species, seen as a whole," he said, "has sufficient technological capacity to make our planet into a habitat sufficiently satisfactory for not only 5 billion, but for 10 or 15 billion human beings."

The statement was a sharp reversal of Peru's previous support for World Bank population reduction policies. As *EIR* has reported (June 12, 1987, "Peru's bishops rip lies of the neo-malthusian 'population lobby'"), the Catholic Bishops Conference of Peru kicked off a national debate on the World Bank policy, with a statement issued May 1 calling for a "daring" new approach to the population question. That debate has clearly had the desired effect.

In his speech, García hailed the birth of the world's 5 billionth child, and said: "Our Christian faith makes us profoundly believe that our responsibility goes beyond the mere giving of life; one must nourish its spiritual, cultural, and human development."

Domestic Credit

FSLIC is now 'flat broke'

The Federal Savings and Loan Insurance Corporation is now flat broke, according to regulatory sources. "On paper, we're supposed to have \$800 million, but that's all paper, not cash. The staff here who wind up the affairs of bankrupt S&Ls have all been unemployed for weeks," said one source, because the savings-bank insurance fund cannot pay off their depositors.

Congress is still debating a plan under which the FSLIC would obtain \$8 billion, by issuing bonds against future contributions to the FSLIC by member banks. "Even that \$8 billion would barely cover half the present bankruptcy cases," one staffer estimated. At least \$40 billion of taxpayers' money will be required to handle existing cases, a regulator estimates.

Industry

U.S. considers paying steel to shut down

The Reagan administration is considering a plan to pay steel companies to close some of their factories. The idea is that it would be cheaper and more efficient for the government to help pay the costs of closing "inefficient" plants and the pensions of those plants' workers, than to allow the steel companies to seek Chapter 11 bankruptcy protection and then dump their large unfunded pension liabilities on the government.

A confidential government memorandum stated that major steel companies that have not yet filed for bankruptcy have potential claims against the government totaling \$4-6 billion. By contrast, the proposal to help close steel plants would cost the government \$1-1.6 billion.

But then, of course, we would not be producing steel; this does not seem to bother the planners in the Labor Department. It is

estimated that if the plan were implemented, 20% of what is left of the steel industry would be shut down in short order.

"As responsible and concerned public officials, we feel we have to explore all reasonable options," said David Walker, Deputy Assistant Secretary of Labor for Pension Programs.

Two major steel companies, the Wheeling-Pittsburgh Steel Corp. and the LTV Corp., have already sought bankruptcy protection from creditors and transferred their pension liabilities to the government. On July 15, the Pension Benefit Guarantee Corp., which has taken over about \$2.3 billion of LTV's four massively underfunded pension plans, claimed that a new pact reached with the United Steelworkers union violates federal law, and sought to have the case removed from bankruptcy court.

'The Recovery'

U.S. retail trade continues stagnant

Retail spending inched up in June to a mere 0.4% to a seasonally adjusted \$125.1 billion, remaining virtually flat for the fourth month running, the Commerce Department announced July 14. "Consumers should continue to lift their spending modestly, but they will not provide the economy's driving force this year," predicted Commerce Secretary Malcolm Baldrige.

According to Associated Press, "Private economists tended to agree, saying consumers have cut their buying because of low personal income growth and high debt burdens. 'They have less money to spend, and most of them can't go out and borrow because they are up to their heels in debt,' said Michael Evans, president of Evans Economics, Inc. of Washington. 'So, they're saying it's time to cut back.' 'The consumer is no longer the locomotive for this particular economy,' said David Wyss of Data Resources, Inc. of Lexington, Mass. 'Consumers are pausing to let their income catch up.'"

The weak report for June extended

Briefly

● **MEAT CONSUMPTION** in Mexico collapsed by 60% during the first half of 1987, said Arturo González, chief of the Butchers Union.

● **BOLIVIA** has ceded control over 4 million acres of its jungle to a group called Conservation International, in exchange for purchase of \$650,000 worth of its \$4 billion foreign debt, which it had picked up for \$100,000. A similar deal will soon be consolidated in Costa Rica by the World Wildlife Federation.

● **PRESIDENT REAGAN** discussed banking deregulation with a bi-partisan group of congressmen early in July. The Congress is preparing legislation designed to "plug the non-bank bank loophole" in existing bank law, which allows mega-corporations like Sears to go into banking. A spokesman for the Independent Bankers' Association told *EIR* that the administration has vowed to veto the bill, on grounds of "an ideological commitment to deregulation of the entire economy."

● **NEW YORK CITY** has passed a "Do Not Resuscitate" law that allows physicians to ignore patients undergoing cardiac or respiratory arrest, without risking any criminal liability. The patient has to have asked not to be resuscitated—or a relative or friend can request the patient's death if he is deemed "incompetent."

● **SIX LARGE U.S. BANKS** received approval from the Federal Reserve Board on July 16 to broaden their securities-dealing activities. The Fed approved the banks' underwriting and dealing in new securities, like car loans and delinquent credit card accounts, that can be bought and sold by banks.

● **STEELWORKERS** of Local 6860 were told to accept a three-year contract that cuts wages by \$2.43 an hour, a spokesman for Eveleth Mines reported, or face phase-out of the company's operations.

through all categories. Total sales, excluding autos, were unchanged from May, following gains of 0.1% each in April and May and a 0.5% decline in March. June sales of durable goods were up 0.9% from May, but May's figures were down 0.9% from April. Auto sales were up 1.9% from May, but May's figures were down 1.8% from April.

Foreign Exchange

Peru hit with flood of narco-dollars

Peruvian Planning Minister Javier Tantalean declared early in July that the flood of \$1 billion in narco-dollars into the Peruvian economy had complicated the nation's monetary system and prevented the national currency, the inti, from stabilizing against the dollar. While it was initially thought that the drug money was a mere 1-2% of the country's foreign exchange earnings, he said, "It is now believed to be as much as one-third! We are seriously studying this situation, so that, based on a deep analysis, proper measures can be taken."

Tantalean also accused former central banker Manuel Moreyra, of fomenting "economic terrorism," and demanded that he prove his charge that the government has decreed a 45% devaluation of the inti. "I maintain that this gentleman is out to create distrust among entrepreneurs, by predicting things that are not true."

He indicated that the real amount of the devaluation in July will be 9-10%, not 45%.

Health

AIDS spreads faster among heterosexuals

The AIDS disease is now spreading faster among the heterosexual population in the United States than among homosexuals, according to a Munich-based epidemiologist, Professor Froesner.

This assessment is confirmed by a study of military recruits reported in the *New Eng-*

land Journal of Medicine July 15, which showed that equal numbers of men and women were infected by AIDS in some areas of the United States. Twice as many blacks as whites carry the virus, according to the study.

The researchers, using blood tests of recruits from October 1985 through March 1986, said the AIDS epidemic is apparently no longer primarily restricted to male homosexuals and intravenous drug users. The study found that 1.65 of every 1,000 military applicants tested positive for the disease, compared to 0.61 of every 1,000 women. But 20.3 of every 1,000 male applicants and 17.4 of every 1,000 female applicants from New York City tested positive. In San Francisco, 11 out of every 1,000 men and 10.9 of every 1,000 women had been exposed to AIDS. For blacks, the ratios were higher: 3.89 of every 1,000 black applicants tested positive, against 0.88 of every 1,000 whites.

Defense Production

China emerges with formidable sub force

The Navy of the People's Republic of China has developed from its original four obsolete submarines into an important undersea shock force with more than 100 submarines, becoming one of the world's top five submarine powers.

According to a report from Beijing Domestic Service on June 12, the first submarine force, consisting of some 100 college and high school graduates, was established in June 1954. The Navy sub school, established at the same time, now has become the only submarine institute in Asia.

The submarine force is now completely equipped with domestically made medium-sized submarines. A very powerful extra-long-wave radio system that covers the whole globe, and advanced navigation equipment, are installed on each vessel. The Navy submarine force has extended its scope of activity to west Pacific waters and the whole territorial waters that include the Xisha and Nansha archipelagos.