Business Briefs

Corporations

ITT spin-off bids for Citibank's Dope, Inc. spin-off

The intelligence apparatus of I.T.T. has just announced its intention to acquire Citibank's Dope, Inc. spin-off, the City Investing Company.

City Investing Company is a holding company for various real estate, motel, insurance, and manufacturing interests. Although New York-headquartered, it is heavily oriented to the U.S. narcotics port-of-entry, Miami. A major stockholder in City Investing Company is Victor Posner, the Miami real estate tycoon.

The company is a spin-off of First National City Bank (now Citicorp). Citibank Senior Vice President Eben Pyne, active in the U.S.-East Asian narcotics trade, sits on the board of directors of both the City Investing Company and its affiliate, the Home Insurance Company.

Besides Pyne, two other City Investing Company officers, Edward P. Sheridan and John J.C. Herndon, came to City Investing Company from Citibank.

The company bidding to take over City Investing Company is Tamco, a billion-dollar mystery company headed by Lyman C. Hamilton, president of ITT until very recently. Hamilton owns Tamco jointly with Victor H. Goulet, a wealthy Chicago real estate operator. Since Hamilton's basis of ownership of a billion-dollar-plus company can hardly be his former ITT executive salary, his connection with ITT or its financiers such as Lazard Freres and Lehman Bros. Kuhn Loeb is presumably a continuing one.

Hamilton, in making his bid for City Investing Company, stated that he wished to keep City Investment Company's entire management team, including chairman George Scharffenberger, himself a former ITT man (1943-1959), who came directly from ITT to City Investment Company through the latter's affiliate, the Kellogg Company of Battle Creek, Michigan.

Another member of the City Investing Company management team is its president Peter C. Huang. Huang is also president of the Home Insurance Co. Prior to coming to City Investing Company, Mr. Huang was with Boise Cascade Company, a wood and paper-based conglomerate which is the principal U.S. holder of bonded debt expropriated by the Chinese Communist government after 1949 and now due to be settled as part of Carter-Peking arrangements. The debt which Boise Cascade holds, interestingly enough, is in the Shanghai Power and Light Company, the notorious funder of Shanghai's Green Gang, which ran China's illegal opium trade—in its day, the largest in the world.

Industry

Steel industry rolls over and dies

"We're digging in for a sustained low order rate," U.S. Steel Chairman David Roderick told reporters at the annual convention of the American Iron and Steel Institute in New York May 21-22. Roderick predicted that the industry's operating rate would drop to 60 to 65 percent of capacity over the next three months, from a current low of 70 percent. U.S. Steel, the industry leader, recently shut down six of its blast furnaces, and is already operating at 60 percent of its usable capacity.

Other industry executives predicted that steel shipments for the year could drop to as low as 80 million tons, a twenty percent drop from 1979. Most ominous of all, no executives were predicting any upturn in sales for the foreseeable future, because none of them expect the auto or construction industries to stage a recovery in the months ahead. Auto and construction together account for about a third of domestic carbon steel shipments.

U.S. Steel has closed down blast furnaces in Fairfield, Alabama, Gary, Indiana, South Chicago and Pittsburgh. Republic Steel has shut down two of its 11 furnaces. National Steel has closed three of ten furnaces. The worst hit area of the country—apart from depressed steel towns of long-standing like Youngstown, Ohio—is District 31, encompassing Gary and South Chicago. According to district leader James Balanoff, some 8,000 out of 40,000 United Steel Workers members are now out of work in his district.

The shutting down of a blast furnace is an expensve and risky business, especially with old furnaces that are susceptible to cracking. Thus, the recent decisions were taken in preparation for a prolonged downturn in the industry.

U.S. Steel, which has long pursued a strategy of hedging its bets and diversifying out of steel production, is currently renting out vacant office space in its Pittsburgh headquarters to pull in extra cash, according to rumors.

Capital Spending

West German investment on the rise

The latest monthly report of the West German Bundesbank announces that in 1979 gross business investment in the Federal Republic including all plant and equipment and inventory expansion, rose by $26 billion. Non-inventory investment accounted for $12 billion of the increase. The central bank chooses to see this as a problem insofar as it occurred through increased borrowing abroad, which contributed to West Germany's current accounts deficit; and they add that the inventory increase reflects fear of price increases for raw materials and oil and semifinished goods.

New foreign orders for West German industry in the first two months of 1980 have risen 8.5 percent above November-December and 12.5 percent above January-February 1979 seasonally adjusted. Overall, new orders were up 4 percent, or 8 percent higher than the same period of the previous year. Exports showed a 25 percent increase over 1979, and the merchandise balance remained in surplus, although because imported jumped 36 percent, it was 3.5 billion marks lower than 1979's at .8 billion marks.

Agriculture

Watch farm land prices

The wind has been taken out of the sails of soaring land prices over the past six months, various reports indicate. But for the moment the market is virtually frozen, buyers comfortably sitting it out for the duration. The average value of farm real estate rose 200 percent between 1970 and 1979. In the year ended February 1, the Agriculture Department estimates the gain was 14 percent.

The slowdown in land prices is indicated in reports from across the farm belt that banks and auctioneers have actually called off farm sales for lack of "satisfactory" bids. At a public auction in Illinois a high-bid of $2400 per acre was refused for land that would have gotten a $3,000 minimum bid in mid-1979. In some areas farm land sales are down 50 percent from a year ago.

According to the Doane Agricultural Services of St. Louis, the only kind of transactions taking place are seller-financed at 9 to 10 percent interest. Other sources report the sharpest slump to be in livestock-oriented land.

If the financial squeeze of scarce and high-priced money together with collapsing farm prices and income continues, there will be increasing pressure on producers to sell out for whatever cash they can get. Recent surveys by the Chicago Federal Reserve Bank, the Northwestern National Bank of Minneapolis and others show no let-up in either loan demand or banks' loan-deposit ratios, and emphasize that banks are continuing a tight-fisted policy toward the farm sector.

The bubble could burst any moment. Producers cannot afford to hold commodities back for a decent price at financing charges nearly doubled from last year. Continued farm price drops will completely undermine land prices.

Dairy

Fighting inflation in Wisconsin

Alfred "Genghis" Kahn, President Carter's chief economic advisor, traveled to the state of Wisconsin this past week to announce the administration's determination to fight inflation. By inflation, he made perfectly clear, Kahn meant milk price supports, set at 80 percent of parity. Kahn, who is the key executive-level initiator of the effort to dismantle the federal milk marketing system by deregulating the price of reconstituted milk, received an honorary degree from Ripon College after making the speech.

Observors noted that Mr. Kahn's performance is a good example of the unique mixture of evil and plain stupidity in the Carter administration. Ripon is situated in the center of some of the state's most efficient dairy-farming.

In defiance of the Administration's policy of "controlled disintegration" of the economy, the dairy industry is still relatively intact, especially compared to other agricultural sectors. But knowledgeable Wisconsin sources indicate that with a continuation of present economic-busting policies, dairy will be hitting the skids by October.

Briefly

● **MARGARET THATCHER** saw British inflation rise to 21.8 percent in April, a jump of 3.4 percent from March and double the rate twelve months ago, according to the latest retail price index. It was reported May 19 that increased property taxes, rents, and government increases in the price of gasoline, drinks and cigarettes were the leading factors. The Thatcher government is committed to an economic policy of budget cuts, tax increases, reductions in real wages, and other "free enterprise" measures.

● **CHARLES PARTEE,** a member of the Federal Reserve Board, told the Senate Banking Committee last week that the number of "problem banks" was "well below" the level of the mid-1970s and at an "acceptable" level. "Recent data on the condition of commercial banks indicate that the banking system has worked out most of its problems of the mid-1970s and is in generally good shape," Partee reported. *EIR* was unable to learn which nation's banks Partee was discussing at the time.

● **PHILIP KLUTZNICK,** U.S. Commerce Secretary, recently told a group of businessmen that because he has lived through six recessions and the 1930s Depression, he has the right to point out that small decisions made by corporations will determine the length and severity of the current slump. "But somehow," he said later, "neither that observation nor my words of encouragement at the end overcame even momentarily the group's desire to challenge the administration's policies."