# Business Briefs

*Foreign Exchange*

## European currencies in difficulties

Despite a strengthening of European currencies against the dollar toward the end of the week of July 6-10, the dollar should remain strong in the next few weeks, and the European Monetary System currencies may need realignments.

The German deutschemark improved from 2.47 to the dollar to 2.42 during the end of the week, on the strength of heavy Bundesbank intervention on behalf of the mark and rumors that the U.S. Federal Reserve Board would lower its federal funds rates which would bring down the U.S. prime lending rates.

However, reports David K. Sandberg, chief currency trader for Bankers Trust, "Even though the U.S. dollar is substantially overvalued relative to the DM, and this may hurt the U.S. exporters, the dollar will remain strong for three months. The lira, following the close of the Italian stock exchange, will fall not only against the dollar, but now will start falling against the other European currencies. The nationalization of industry in France by Mitterrand is and will continue to hurt the French franc. The Belgian franc is under tremendous pressure. There will most likely have to be official devaluations and there will be a lot of currency instability."

*Regulatory Policy*

## Florida drug money crisis still unsolved

Much more is involved in the current "test case" in Florida involving North Carolina National Bank's bid to acquire Florida National Banks of Florida than a precedent on statewide banking deregulation.

North Carolina National's bid was made public after the recent death of Edward K. Ball, the Florida DuPont family trustee who controlled a 24 percent share in the Jacksonville branch of Florida National Banks of Florida. Ball had gained some notoriety last year due to his association with the "Billygate" scandal, through his directorship on the board of Charter Oil Company.

The issue of Florida statewide deregulation has been used in recent years in fights between groups contending to get a "cut" in the estimated $10-$20 billion annual illegal narcotics funds laundering operations run by Florida banks. Recently, the *Chicago Tribune* ran a series of articles on a semisecret U.S. Treasury Department report which names at least eight Florida banks as complicit in illegal narcotics funds laundering.

One of the banks cited in the Treasury study, according to the *Tribune*, is Southeast National Banks, which ran the statewide lobbying campaign for deregulation.

In addition to Florida National, Southeast also had close ties to the Carter administration. Its vice-chairman, Charles Zwick, headed Carter's special Commission on Military Compensation in 1979. Southeast board member Lloyd Cutler, meanwhile, was Carter's White House Counsel.

*Trade*

## NSC, Haig declare war on Siberian project

Alexander Haig's State Department and the National Security Council met this weekend to review policy on East-West trade. Haig and NSC personnel want to limit the types of technology that may be transferred to the Soviet Union—by the U.S. as well as its European allies. Last week, Assistant Secretary of State Robert Hormats told *EIR* that the results of the East-West trade review would form the bulk of President Reagan's presentation at the Ottawa economic summit.

In particular, Haig wants to halt the 3,000-mile Yamal gas pipeline project that will run from Siberia into Western Europe. The project was one of the chief results of the 1978 accords between Soviet President Brezhnev and West German Chancellor Schmidt. The NSC trade-review meeting considered revoking a license granted to Caterpillar Tractor to participate in the project, on grounds that it will increase European dependence on the Soviet Union.

The survival of West Germany's steel industry could depend on the project.

Fifty U.S. lawmakers led by Sen. Jake Garn of Utah have lent support to such attacks on the economies of European nations by signing a letter to President Reagan calling the Yamal project "a clear and present danger to Western security." The letter urges an "aggressive" U.S. campaign to force European investment in U.S. coal projects and synthetic-fuels boondoggles, imposing low-energy technology on Europe.

*Domestic Credit*

## Fed model predicts over $20 billion more cuts

Econometric projections prepared by the Federal Reserve Board, which are highly confidential, project an additional cut in the U.S. fiscal 1982 budget of over $20 billion taken completely out of unemployment benefits, Social Security, and other essential programs, Fed sources said July 9.

The Federal Reserve, sources told *EIR*, views the official econometric projections of the Reagan administration as "a pile of supply-side garbage." In particular, the Fed totally disagrees with the administration's projection that interest rates, now at over 20 percent, will fall below the 10 percent level by the end of 1981. The Fed also ridicules the administration's projections of a higher economic growth rate as "nonsense," and itself predicts a continued low rate of growth for the next year and a half.

Rather, "we plan to keep interest rates above 15 percent, well above it, for the forseeable future," the official stated. He added that, due to the fact that the

Fed will keep rates about twice as high as the administration projects, the Reagan administration will be hit with an additional charge to the budget to pay for the higher rates of $20 billion or over, which is not included in the President's calculations. Yet the Fed model projects the same budget deficit for fiscal 1982 as does the administration—some $50 billion. How will the administration finance more than $20 billion in unexpected interest-rate costs? "They are going to have to cut the basic social programs further," stated the Fed official. "They have already made the easy cuts. Now it has got to hurt. And it's our information they're prepared to go a lot further down that path."

*International Markets*

## Financial crisis spreads in Italy

The Italian stock exchanges were shut down on July 8 for the first time since 1917, when Austria overran the country, because stock prices collapsed in a full-blown crisis of confidence. The crisis began in mid-June, shortly after the P-2 scandal implicated many leading figures in Italy's financial capital, Milan. Hot-money specialists and ordinary citizens began selling shares in Italian nies.

Overall, between June 1 and July 7, the Milan stock-exchange index fell from 1,700 to 1,180, or 50 percent. Several of the companies run by the Italian oligarchy took a beating: Fiat, controlled by the Agnellis, had its stock fall by 26 percent; Olivetti's stock fell by 24 percent; Pirelli's by 25 percent and Banco Ambrosiano, headed by Roberto Calvi, by even more.

While Italy has been stripped down industrially, the Italian capital-flight managers were borrowing $10 to $15 billion in the first five months of 1981 on the international markets, which they quickly siphoned out of Italy into havens into the Bahamas, Hong Kong, the United States, and so forth.

*Banking*

## British system pushed for United States

Spokesmen for the Volcker Federal Reserve and Department of Justice told Congress July 8 that the free marketeers in the Reagan administration plan to give full rein to large Canadian and New York banks who hope to buy up entire sections of the U.S. banking system. Such an operation, which would result in a few major banks run by David Rockefeller's Trilateral Commission dominating the nation, would place the U.S. on a British banking model.

Assistant Attorney General William F. Baxter, addressing the House Judiciary Subcommittee, wholeheartedly endorsed the recent acquisitions by can Express Co. of the Shearson, Loeb, Rhoades brokerage and by Prudential Insurance of the Bache Group brokerage. "These mergers are the most dramatic examples of efforts by financial institutions to expand the services they offer their customers," Baxter said.

Going further, the Justice official endorsed proposals in Congress to repeal all or part of the 1934 Glass-Steagall Act, which separates commercial banks from investment banks and brokerages. Such a plan would hand most major brokerages over to Chase Manhattan and other large commercial banks, while many small commercial banks around the nation would be snapped up by Lehman Bros. and other Trilateral Commission-dominated investment houses.

"The optimal range of services can be obtained only if the markets are allowed to operate without artificial restrictions," the Justice official stated.

Baxter was seconded by Federal Reserve director Lyle Granley, who told the House hearings that "these innovations are a sign of a healthy, dynamic, and innovative financial sector."

Senate Banking Committee Chairman Jake Garn (R-Utah), until recently an opponent of such banking consolidation, has joined the Trilateral lobby and proposed a series of bills to repeal Glass-Steagall, his office announced this week.

# Briefly

- **CONNECTICUT** passed a "free zone" bill July 7 cutting state income taxes in half for 10 years for businesses that locate in depressed urban areas, and offering an 80 percent reduction in property taxes for five years. At least six zones will be created in the state, emphasizing low-wage businesses. Commerce Secretary Baldridge, former head of the Connecticut-based Scovill Manufacturing Company, coordinated the state plan with national "urban zone" sponsor Jack Kemp.

- **NUNZIO PROVENZANO,** who is the president of Teamsters Local 560, was sentenced July 6 to ten years in prison, $50,000 in fines, and was stripped of union office in a New Jersey federal court. The extraordinary proceedings used, known as a "Fattico hearing," may have violated due process, Judge H. Lee Sarokin admitted. The Justice Department cited "unidentified informants" who did not have to undergo defense cross-examination.

- **A COMMITTEE** of 11 U.S. banks, headed by Bankers Trust of New York, which is handling negotiations for 400 U.S. banks on Poland's debt, has won European banks' agreement to its demand that Poland pay $2.7 billion in debt this year, and specify in detail how it plans to raise money abroad and what sources of income it will use to repay debt.

- **FEDERAL RESERVE** Board sources report, "As a result of the P-2 scandal, the Banco Ambrosiano and the Banca Commerciale Italiana have had their deposits badly eaten away."

- **TORONTO** bankers tell *EIR* that most of the foreign banks that have offered Canada a $3 billion credit line to stabilize the Canadian dollar are American banks. They say the kitty will serve to cover for investment in corporate takeovers of American companies.