

Business Briefs

The Invisible Hand

Friedman lashes out at Cardinal Ratzinger

"Cardinal Ratzinger is an ignoramus! There is no connection whatsoever between morality and science!" screeched free-market economist Milton Friedman on Dec. 6, when contacted by a journalist about Joseph Cardinal Ratzinger's Nov. 19 attack on Adam Smith.

"There is no issue of morality involved in why the planets have an elliptical orbit. . . . It's just what is. You want to know what immorality is? It's *fundamentally immoral* for Ratzinger to pose as an expert on economic science when he is not. It is *fundamentally immoral* for Ratzinger and people like him to propose policies that will have the exact opposite consequences of what they intend, because of this confusion between morality and science. You cannot deduce policies from good intentions!"

Asked about the potential for a Vatican offensive on the issue of Ibero-American nations' foreign debt, Friedman replied: "The high officers of the Church are ignoramuses. They will do more harm than good by blundering into areas they know nothing about.

"Maybe there is something like natural law. But it certainly doesn't have anything to do with economics or other sciences."

The Debt Bomb

Swiss bankers fear debtors' cartel

"Now, up to Dec. 15, everybody will keep up the motion on the debt front, because on Dec. 15, there will be the meeting of the Cartagena group, and the banks want to show something, to stop the radical countries from pressing for a debtors' cartel," a Zurich banking source told *EIR* on Dec. 15.

"Of course, if they do [form a debtors' cartel], there is nothing we can do to stop it, frankly," he added, "but the idea would be to find a way to keep the bigger debtor coun-

tries from joining in."

Eighteen heads of state, two prime ministers, seven foreign ministers, and many other ministers are attending, representing some 36 countries—the largest attendance yet at the summit, reflecting African disappointment with the American Baker plan. The French government has let it be known that Paris is "concerned" by IMF policies in Africa.

One special topic was the situation of Sudan, which, on Dec. 8, rejected IMF conditions after a long cabinet meeting. The IMF package concerned the rescheduling of Sudan's \$9 billion debt, on condition that Khartoum pay all its arrears to the IMF immediately—some \$230 million.

Sudan's finance minister was dispatched to Saudi Arabia on Dec. 10, one of Sudan's main financial investors. But both Saudi Arabi and Kuwait are refusing emergency help, unless Sudan signs an agreement with the IMF first.

War on Drugs

Peru calls for coordinated action

The government of Peru has demanded a coordinated international effort against Dope, Inc. There should be a central registry of narcotics convictions and a communications system so that all countries can keep track of traffickers, Peru's delegate to a conference of justice ministers of Ibero-America and the Philippines proposed on Dec. 10.

Swiss bankers are especially worried about the potential impact of the policies of Peru's President Alan García on larger debtor countries, he said. "Peru had already restricted its debt service payments to 10% of exports, and, just now, we learned last night, Alan García has announced that he will stop all payments to the International Monetary Fund, and that he will only pay back countries which lend to Peru. This is the first country to go so far."

He added: "What García is doing now, is one of the possibilities that we had been concerned about since the beginning of the

debt crisis, but now he is actually doing it. . . . We hope that his policies are only meant for Peru itself, and that most of the Latin American countries will not follow suit."

Pestilence of Usury

Ibero-American societies being destroyed by debt

"The debt crisis is causing severe damage, perhaps irreparable to the very essence of our societies," said former Peruvian Economics Minister Roberto Danino on Dec. 10. Danino spoke in Philadelphia on the final day of the 7th Annual Monetary and Trade Conference (Ditchley Conference).

Danino, a lawyer, said that the continuing Third World debt crisis is having "devastating and perhaps irreversible effects upon private enterprise in Latin America," adding that the private sector in most Latin American countries may simply "wither away unless its problems are addressed by those seeking a way out of the Third World debt crisis. . . ."

"Despite announcements like the one made at this same conference two years ago by the U.S. Undersecretary of the Treasury [Tim McNamar], the debt crisis is not over. Quite the contrary, it is fully alive and causing severe damage, perhaps irreparable to the very essence of our societies."

Africa

Franco-African summit convenes in Paris

Africa's foreign debt of \$175 billion was the main issue of discussion at the yearly Franco-African Summit which opened on Dec. 12 in Paris. The issue was raised by Organization of African Unity chairman Abu Diouf, who has been campaigning for an International African Debt Conference.

Dr. Luis Gonzalez Posada called for

permanent monitoring of flows of funds through banks, financial companies, and properties. He described how laundered drug funds were used to buy off government officials.

He insisted that, since drug traffickers act like a large multinational company, nations must join together to fight them, and institute uniform policies on investigation, prevention, suppression, and legislation.

International Trade

Soviets seek new plant from Fiat

The Soviet Union has requested that Fiat build a new industrial complex modeled on Togliattigrad in the U.S.S.R.

Nikolai Lunkov, the Soviet ambassador to Italy, told the press in Turin on Dec. 9, "The agreement between Fiat and the U.S.S.R. will be in the sectors of auto production, agricultural machines, diesel engines; the value of the contract is much greater than the value of the existing factory in Togliattigrad."

After a meeting with Schimberni of Montedison, Lunkov continued: "We are working with Montedison for a contract that has a value of one billion dollars."

Recently, Italmipianti (IRI) signed a contract with the U.S.S.R. for a tube factory valued at over \$1 billion.

International Credit

Brazil not interested in IMF mediation

Brazil will negotiate extension of its credit lines without the International Monetary Fund, according to Fernando Bracher, the president of the central bank, who traveled to Washington on Dec. 8 to negotiate directly with Brazil's creditors.

Finance Minister Dilson Funaro told the press, "We will not accept any recommen-

dations of the IMF. We will make adjustments in the manner we consider convenient." He explained that Brazil is paying all its obligations punctually, and that, at the same time, it had achieved economic growth, something which would not be possible if Brazil follows IMF prescriptions.

But Onno Rudding, the chairman of the IMF's Interim Committee, claims that Brazil may soon reach an accord with the IMF. Rudding, finance minister of the Netherlands, told reporters on his return from a seven-day visit to Brazil that his talks with the government there had been "tough but constructive," and he saw signs of accommodation in the fact that the country had not accepted a Peruvian plan for a debtors' cartel.

But at least one Brazilian government official, Dr. Luiz Gonzaga Belluso, finance undersecretary, has stated that Brazil should link debt service to export earnings, as Peru has done. He made the remarks at a seminar on Dec. 8.

AIDS Pandemic

Veronesi named to Sao Paulo post

Dr. Ricardo Veronesi has been named City Health Commissioner in Sao Paulo, Brazil, by mayor-elect Janio Quadros. Veronesi gained national renown with his denunciation of federal health officials for refusing to do anything about AIDS.

Veronesi, a professor of infectious diseases at the University of Sao Paulo, is also a consultant to the World Health Organization, president of the Brazilian Society for Infectious Diseases, and vice-president of the International Federation for Infectious and Parasitic Diseases.

Veronesi's views on the question of AIDS became known internationally through an interview and medical paper published by *EIR* in its Nov. 29 issue. He reported: "Authorities, both federal and state, don't want to confront the problem. In Brazil, AIDS has not been declared a priority disease for public health. Therefore, the control is going to keep lagging behind. The prospects are very somber, apocalyptic."

Briefly

● **WILLARD BUTCHER**, president of Chase Manhattan Bank, spent two days in Mexico in meetings with President Miguel de la Madrid and Finance Minister Silva Herzog, and praised de la Madrid for volunteering his country for the Baker Plan, but indicated that Mexico was only beginning the requisite policy changes. He also said: "I am inclined to think that if Peru does not pay its debts, it will have to spend many decades before that country can recover the confidence of the international financial system. . . ."

● **SELA**, the Latin American Economic Council, at its 11th annual meeting in Caracas the weekend of Dec. 6-7, supported "the establishment of a limit on debt payments as a function of export income. . . ." The communiqué explicitly mentioned Peru's 10% limit, and stated that such stands should be "encouraged."

● **BRAZIL** has announced that foreign creditors of three bankrupt private banks will receive the equivalent of 25% of their loans, although none of the banks were government insured.

● A **PUERTO RICAN** bank has pleaded guilty to money laundering. The Caribbean Federal Savings Bank pleaded guilty in early December in Federal District Court in San Juan to three counts of laundering totaling \$385,000.

● **SOVIET** oil minister Talgat Khuramsin, was dismissed for abusing his position and expelled from the Communist Party in early December. Khuramsin, age 53, is one of the highest officials to be purged since Gorbachov came to power in March 1985.

● **UNION BANK** of Switzerland (UBS) will buy Deutsche Länderbank, a Frankfurt-based bank, from Dresdner Bank. UBS is the third of the big three Swiss banks to establish a presence in West Germany this year, after the Bundesbank liberalized the domestic financial market.