

# Business Briefs

## Speculation

### Stock market boom prelude to crash

An article in the *Financial Times* of April 18 considers the "perplexing lack of correlation between the performance of stock markets and the performance of the world's leading economies."

The article notes an "uncoupling of bourses from economic reality," an uncoupling that *EIR* founder Lyndon H. LaRouche has been calling attention to for a number of years. While the real economy stagnates, the paper markets are booming.

The *Financial Times* quotes the latest issue of *Bank Credit Analyst*, a monthly review of the U.S. investment markets, which warns that the "benchmarks of rationality" are disappearing, and fears that the coming international crash may begin in Tokyo, which is experiencing the wildest speculative boom since 1929.

The article ends by asking, is the world going toward a boom, such as that which followed the 1953-58 stockmarket boom, or toward another Crash of '29, which followed the boom of that year?

On the following Sunday, April 19, the *New York Times* argued, in its blinkering "what, me worry?" style, that "a 1929-style crash followed by a collapse in economic output is highly unlikely," citing the ability of governments to quickly shore up banking systems and immediately restore consumer purchasing power.

## Public Health

### Incidence of TB increasing among blacks

The rate of tuberculosis infection among blacks far surpasses that among whites, according to Dr. Richard O'Brien, chief of clinical research at the Centers for Disease Control's TB division.

Dr. O'Brien stated that blacks are con-

tracting TB and dying of lung diseases at "disturbingly" higher rates than whites. Among some age groups, the black rate is 9 times higher than among whites, and the death rate 16 times higher. This disparity "is in large part a reflection of the continuing and perhaps widening difference in socioeconomic status. . . . This disparity . . . calls for an intensified effort to close this gap and thereby prevent unnecessary disease and death," O'Brien said.

In 1985, the incidence rate among blacks was 26.7 per 100,000; among whites, 5.7 per 100,000. Cases among blacks were concentrated in the southeast, the eastern seaboard, and California. Cases among whites are most common among the elderly.

## Arms Traffic

### Bribery charged in Indian-Swedish deal

On April 17, Swedish State Radio claimed that Indian ministry of defense officials had accepted \$8.4 million in bribes to award a contract for just over \$1 billion to Bofors, a subsidiary of Nobel Chemicals that is also implicated in arms smuggling to Iran. Swedish radio claimed the money was paid to members of India's ruling Congress Party, and that \$5 million had been paid in late 1986 into Swiss Bank Corporation accounts that have been traced back to Indian officials.

The Indian defense ministry, the Swedish government, and Bofors have all denied that bribery took place. Former Bofors managing director Martin Ardbo told *Aftonbladet*, the newspaper of the Swedish Social Democratic Party, that Swedish Prime Minister Olof Palme had been instrumental in getting Bofors a multimillion-dollar order from the Indian government in January 1986, shortly before Palme was assassinated.

The government of Prime Minister Rajiv Gandhi denounced the allegations on April 18. The government said the allegations were "one more link in the chain of denigration and destabilization of our political system." Following a meeting of the

council of ministers, the Indian government called the Swedish claims "false, baseless, and mischievous."

## International Credit

### Lending to Asian nations low in 1986

According to the Asian Development Bank report released on April 20, lending to Asian nations was "less than anticipated." Although the value of loans approved by the bank rose 4.9%, to \$1.4 billion, the amount actually disbursed fell 1.3%, to \$612 million, because of "an unusually large" number of cancellations.

The bank said the decline "reflected high debt levels and budgetary constraints in some developing member countries as well as generally low commodity prices worldwide, which depressed their export earnings." In 1986, the net transfer of resources—net loan dispersal minus interest and principal repayments—by the bank to Asian nations fell to \$237.4 million, from \$421.3 million in 1985, a decrease of approximately 43%. The fall was explained as resulting from net increase of repayments in relation to dispersals and the effect of currency exchange losses.

## Fascist Economists

### 'Techno-corporatism' the wave of the future?

"Enlightened techno-corporatism" is the name being given by Austrian economists and politicians to the system that currently rules there. One Vienna source said, "Our policy is consensus among social partners, which is sometimes given the name of neo-corporatism. . . . It is a system that is unique to Austria, but with international applicability."

Since corporatism was one of the pillars of both Nazi and fascist economic and social policy, our source hastened to distance his enlightened conceptions from the earlier

forms: "It's different from fascism because fascism seeks to fit everything under one corporation, all under one solidarity. But society is composed of many solidarities. There is freedom for the individual to form his own solidarity. Solidarities are problem-solving mechanisms, one way to solve problems. . . ."

Meanwhile, in Germany, one German economist, a corporatist, noted, "My ideas are getting popular among the labor unions." Reflecting the truth of his statement, the Metal Workers Union signed a wage agreement on April 21 that meets all the basic tenets of the corporatist school of economists in Germany (see *Report from Bonn*).

## Development

### Japanese prime minister reveals aid plan

Japanese Prime Minister Yasuhiro Nakasone will reportedly unveil a new \$30 billion Ibero-American loan plan during his meetings with President Ronald Reagan scheduled for April 29-May 2.

Former Foreign Minister Shintaro Abe, who was in Washington, D.C. preparing for Nakasone's meetings with the President, said that the funds for the loans would be drawn from the trade surpluses Japan has with other nations, and that some of the loans would be guaranteed through the Japanese Export-Import Bank.

The *Washington Post* reported that the "new loans and investments in Latin America over three years would be a major stimulus to the economies . . . would ease pressure on the world financial system, and could stimulate U.S. exports to those Latin nations."

Simultaneously in Washington, a group of U.S. senators, including Majority Leader Robert Byrd (D-W. Va.) and Robert Dole (R-Kan.) wrote Nakasone a letter threatening more trade problems if Japan does not agree to import U.S. products such as super computers, farm products, and telecommunications equipment. The letter was released following Abe's visit to the Senate on April 21.

## The Recovery

### FCA earnings fall, bankruptcy threatened

The \$30 billion Finance Corporation of America, America's largest thrift institution, is ready to collapse, after announcing an 81% fall in its first-quarter net income, and a major operating loss due to the collapse of mortgage-backed securities in its portfolio.

The more than 10% collapse of these securities since March 31 guarantees a much worse loss during the second quarter, which the shaky savings and loan cannot sustain.

Last summer, FCA borrowed \$6 billion short-term to buy long-term mortgage-backed securities, in a desperate effort to make money.

In addition, loan losses are mounting on FCA's real-estate portfolio, especially in the stricken oil patch.

## Free Enterprise

### Another Colombian dope king may be deported

Gilberto Rodríguez Orejuela, the only Colombian drug kingpin now in jail aside from Carlos Lehder, may be extradited to the United States after all.

Rodríguez Orejuela, the drug banker exposed by *EIR* as working with Project Democracy's American Institute for Free Labor Development (AIFLD) nearly succeeded in getting U.S. charges against him dismissed by a Colombian court "for lack of evidence." But someone apparently gave the judge hearing the case a kick in the pants.

U.S. evidence against Rodríguez that had remained untranslated is now being translated. New evidence has now arrived from the United States, and Rodríguez is sweating again.

Meanwhile, Carlos Lehder's U.S. trial has again been postponed at the request of defense lawyers, this time until September 8.

● **THE STEEL SECTOR** collapse has continued as Sharon Steel, the 12th-largest steelmaker in the United States, filed for Chapter 11 bankruptcy reorganization on April 10. LTV, number two in the United States, and Wheeling-Pittsburg, number eight, are already in bankruptcy, and Bethlehem, the number three company, is reportedly close to filing.

● **CUBA** has quarantined all individuals who test sero-positive for the AIDS virus. Three Cubans have died of AIDS so far, and of the 7% of the population tested to date, 108 have the virus, all of whom were put into quarantine. Of 20,000 foreign students tested, 107 tested positive and were deported to their home countries.

● **THE WALL STREET** Journal recommends use of U.S. government bonds "denominated in gold" as a way of easing America's debt burden. "U.S. bonds denominated would no doubt be welcomed by foreign lenders," the *Journal* stated on April 20. Appropriately enough, the same article announced that Disneyland will begin issuing its own money in May—Mousca-money.

● **CITIBANK** lost an estimated \$50 million on Brazilian loans in the first trimester of 1987, and estimates are that it will lose \$190 million by the end of the year. Analysts estimate that, overall, U.S. banks will lose \$900 million in profits by Dec. 31.

● **PRESCRIPTION DRUG** prices rose by more than four times the rate of inflation during the last two years, according to a congressional study released in mid-April. Charged with gouging the public, pharmaceutical companies responded that R&D costs were responsible, but the House Committee on Health and the Environment claims that such costs could not possibly justify the increases.