devising the formulas through which economists can determine with great precision how changes in one sector of the economy (inputs) will affect the performance of other sectors (outputs). Building on his pioneering work, Government economists now compile a huge statistical grid showing how much each economic sector buys and sells from every other major sector. Using the chart, they can, for example, calculate how much a decision to slow the building of barracks will reduce the sales not only of the paint industry but also of the chemical firms from which it gets its pigment. Also, planners can decide what changes in the tax structure might increase employment in the shipping industry or promote the construction of boxcars. Explains Leontief in his high-pitched, heavily accented English: "When you make bread, you need eggs, flour and milk. And if you want more bread, first you must get more eggs. There are similar cooking recipes for all the industries in the economy."

Born in St. Petersburg in 1906, Leontief studied at the University of Leningrad before his family fled Communism. He earned a doctorate in economics at the University of Berlin, and in 1931 joined the faculty at Harvard. Among his students in 1935 was Paul Samuelson, the M.I.T. professor who won the second Nobel economics prize in 1970. Besides Leontief and Samuelson, Harvard's Simon Kuznets—also a Russian émigré—won the award in 1971, and Harvard's Kenneth J. Arrow shared it in 1972. Cracked Leontief: "Do you think there should be an antitrust investigation?"

ANTITRUST

A Startling Reversal

Few spectators at the hearings in Tulsa's federal court last week could make much sense of the proceedings. Even Presiding Judge A. Sherman Christensen seemed more than a little confused. Less than a month after finding International Business Machines Corp. in violation of antitrust statutes and ordering it to pay its struggling rival, Telex Corp., a record $352.5 million in damages (TIME, Oct. 1), Christensen developed second thoughts and sent the whole complex legal wrangle almost back to Square 1. Before the week was over, he changed course again and announced that he might be able soon to make a conclusion on the case after all. Christensen declared that "this has been agonizing for me."

Christensen had only himself to blame for his troubles. Instead of prudently issuing separate rulings on the merits of the suit and the size of the damages, he had attempted to settle the case all at once. In his original ruling, Christensen figured that certain "predatory" practices by IBM had damaged Telex to the tune of $117.5 million, a figure that he then tripled in accordance with antitrust law. But in this rush to judgment, he ruefully admitted last week, he had underestimated a crucial factor: much of Telex's potential business came from marketing disc drives and other "peripheral" computer components based on secret IBM designs. In his earlier finding that Telex had gained the designs by hiring away IBM employees, he had ordered Telex to pay $21.9 million in damages to its giant rival. Last week he further granted IBM's motion for a reduction—by an as yet undetermined amount—of the $352.5 million judgment against it.

What seems to have impressed the judge most was the argument of IBM's chief counsel, Thomas D. Barr, who contended that a failure to reduce the huge award to Telex would permit it to "claim damages which are effected by its unlawful plan to appropriate IBM's business to itself." Conceding that he faced an "almost unmanageable" problem in trying to rejigger the judgment, Christensen first plaintively requested the disputants to appeal to a higher court. But by week's end he had apparently recovered some of his old self-confidence and announced that he would "promptly" reset the damages himself.

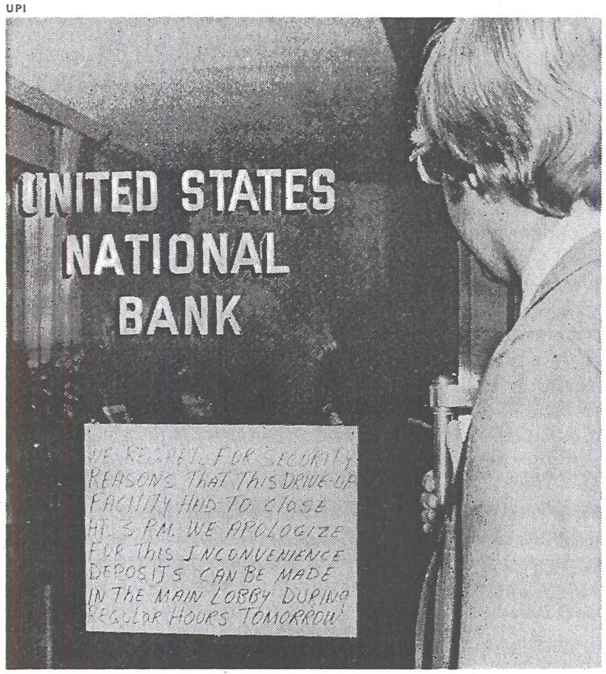
Telex does not have much time to waste waiting. It has been counting heavily on collecting from IBM to rescue it from its deep debts. If the Tulsa-based company is forced to pay off the $21.9 million claim against it before collecting at least as much from IBM, warned Telex Attorney Floyd L. Walker, "there is no way Telex can stay out of bankruptcy and become any kind of viable competitor." Walker's plea provoked a charitable response from IBM, which agreed not to press for the money until the case is finally decided.

BANKING

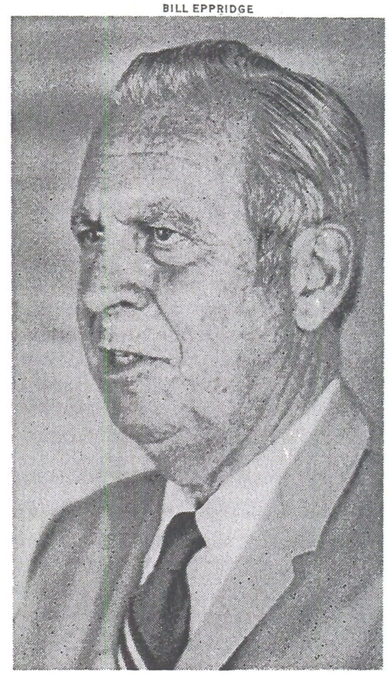
The Westgate Scandal

The elaborately constructed business empire of Financier C. Arnholt ("Mr. San Diego") Smith has been under unrelenting attack for months. He is fighting the Securities & Exchange Commission, which has charged him and several cronies with fleecing the stockholders of Westgate-California Corp., the multimillion-dollar conglomerate of which Smith is chairman. The suit is scheduled to go to trial in San Diego this week. Smith is also dueling with the Internal Revenue Service, which claims that he owes $23 million in unpaid taxes and interest. Even his old, close friendship with Richard Nixon, whom Smith has helped bankroll politically since the 1940s, has tumbled

UPI



BILL EPPRIDGE



SIGN ON INSOLVENT SAN DIEGO BANK **NIXON FUNDER SMITH**

Eager for the quick profits that high rates seemed to promise.

him into trouble. The IRS is investigating whether firms under Smith's control made illegal contributions to Nixon's 1968 and 1972 campaigns.

Last week Smith, 74, suffered his greatest setback. In a move that rekindled memories of the bank crashes of the Depression, the U.S. Comptroller of the Currency declared insolvent the U.S. National Bank of San Diego (assets: $1.2 billion), which Smith has controlled for 40 years. The collapse—the biggest in U.S. banking history—will not affect the funds of depositors, but it threatens to wipe out the investments of several major holders of U.S. National stock. Smith is the largest of these, with 28% of the 2,000,000 shares.

The bank has been under federal supervision since spring, when the Comptroller forced Smith to step down as chairman. Reason: the bank had lent more than the legally permissible 10% of its assets to companies controlled by a single individual: C. Arnholt Smith. Smith's enterprises turned out to be the bank's biggest credit risk; his companies' bad debts constituted an unspecified but large percentage of the $143 million in outright losses and possibly uncollectible loans that U.S. National had on its books.

According to the SEC, Smith and some associates devised a complex scheme to convert Westgate's most profitable assets to their own use. Smith supposedly 1) allowed the conglomerate to buy up companies of questionable value at grossly inflated prices, 2) transferred control of the acquisitions to other parts of his financial machine, and 3) used these grossly inflated assets to secure huge loans from U.S. National. In other instances, Smith is charged with selling solid Westgate holdings at bargain prices to other companies under his control and financing the deals with loans from the bank.

This legacy contributed to an almost insurmountable problem for U.S. National. Since the risky loans totaled about $80 million more than the sum in its capital account, the bank was forced to pay higher and higher interest rates to attract the large, short-term deposits that it needed to continue operations. In recent months, the bank's managers have been buying up money on the open market in sums of $100,000 or more from corporations, labor unions and private investors eager to make the quick profits that those extraordinarily high interest rates seemed to promise. But by September, the pressure of paying the interest on this money had become so great that the Federal Deposit Insurance Corporation and the Comptroller's office began asking other banks to buy up and bail out the failing U.S. National. San Francisco's Crocker National Bank won the bidding with an $89.5 million offer.

The question is what happens to the bank's stockholders. Unlike depositors, whose funds are insured up to a total of $20,000 by the FDIC, they have no protection and could end up losing every nickel. At week's end, the biggest potential loser was ensconced in the penthouse of the Westgate Plaza Hotel in San Diego, protesting his innocence. All his troubles, said C. Arnholt Smith, stemmed from the fact that overzealous "bureaucrats" resented his friendship with President Nixon.

EYECATCHERS

Middleman Moves Over

After several weeks of difficult negotiations with himself, 49-year-old W.J. ("Bill") Usery Jr. has decided to throw his hat into the ring alongside those of all the other labor leaders who are hoping to succeed 79-year-old George Meany as head of the roughly 14 million-member AFL-CIO. Usery will leave his $40,000-a-year post as President Nixon's chief labor negotiator and director of the Federal Mediation and Conciliation Service—from which an appointment as Secretary of Labor might have been easy to grasp. As head of the AFL-CIO's newly created department of organization and field services, he will become the No. 3 man in the union, behind Meany and Secretary-Treasurer Lane Kirkland, 51.


W.J. ("BILL") USERY

A big, back-slapping Georgian who went to work as a welder in 1941 and later was an official of the International Association of Machinists and Aerospace Workers, Usery has made no enemies as the Government's "middleman" in labor disputes. He has been a tenacious round-the-clock bargainer who often appealed to negotiators' patriotism. Usery was instrumental in averting a walkout of 13,000 railroad signalmen in 1969 and later settled a bitter, eleven-week teachers' strike in Philadelphia. In directing and coordinating the political, civil rights and community-affairs activities of the AFL-CIO's extensive field staffs, he is expected to wield enormous influence within the labor movement. His lack of a solid power base within the AFL-CIO, however, may block his advance if Meany steps down in the near future.

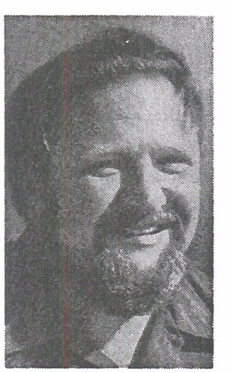
Rich and Lazy

He only works half the year in his stunning office on California's Sunset Beach, and when he is there he puts in short hours. Even so, he figures to make $500,000 in 1973. In other words, Joe Karbo, 48, is the prototype for his book *The Lazy Man's Way to Riches.* The slim $10 paperback, which Karbo candidly describes as "outrageously overpriced," has sold 139,000 copies in the past six months.

Karbo, a bearded bear of a man, started a direct-mail house in 1962 to sell books on health, sex, beating the horses and how to get out of debt in 90 minutes (Karbo was once $50,000 in debt, and it took him three years). Before he wrote *Lazy,* he ran test ads for it: "I used to work hard ... but I didn't start making big money until I did less—a *lot* less. For example, this ad took about two hours to write. With a little luck it should earn me fifty, maybe a hundred thousand dollars."

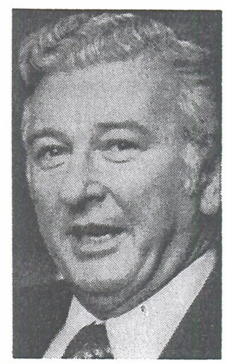
The book is part rip-off, part a paean to the potential of positive thinking. Karbo advises readers to see themselves as winners, and enter the mail-order business. He is less than specific about what one reader should sell, counseling readers to determine what they are best at, then figure out a product or service that can capitalize on that talent.

The ad campaign for *Lazy* is budgeted for $400,000, to be spent on ads in everything from dailies to girlies to *Intellectual Digest.* Instead of the shopworn "money-back guarantee," Karbo promises to hold the buyer's check or money order uncashed for one month; only 10% return the book. He also offers to evaluate readers' ideas, and the letters are pouring in. Says Karbo: "I'm just as lazy as ever, but I'm more bothered." And, of course, more rich.


JOE KARBO

Commodity Compromise

The Chicago Board of Trade is one of the nation's last untamed financial frontiers, where fortunes are often won and lost in a week of frenzied commodities dealing. Last week the board got a new president, quiet, methodical Warren W. Lebeck, 52, an officer of the C.B.T. for the past 19 years. Lebeck was picked by the board of directors after a divisive five-month manhunt. He is a compromise candidate, who lacks the charisma and political clout of his $110,000-a-year predecessor, Henry Hall Wilson, a well-connected Democrat who returned home to North Carolina last June to challenge Sam Ervin for his Senate seat in 1974. But Lebeck may be the perfect man for the job.


WARREN LEBECK

The administrative expertise that he has gained over the past eight years as day-to-day operating chief will be an asset to the C.B.T., whose dollar volume of trading in wheat, soybeans, corn and other commodities has increased 176% since 1972, when it exceeded that of the New York Stock Exchange. His reputation as an unflinching guardian of the rules governing the complicated wheeling and dealing in his business may temper the thrust of some recent Congressional developments. The House Agricultural Committee is beginning to investigate whether excessive speculation in commodities markets has inflated food prices; and Senators Hubert Humphrey and George McGovern have introduced bills calling for the creation of an independent Commodities Exchange Commission to oversee the trading of futures contracts in much the same way that the Securities & Exchange Commission keeps its eye on the sale of stocks and bonds.