

London opinion makers are also starting to thump on the alleged political desirability of directing funds into the domestic economy to garner votes for incumbent Chancellor Schmidt in 1980. But it is precisely the West German determination to extend trade credits and thus expand export "demand" based on lending out Luxembourg and other capital inflows that has made the West German economy presently the sturdiest around. "It is still unclear exactly when the recent OPEC oil price increases will cool the still-vigorous West German economy," complains the Aug. 15 *New York Times*. This export demand is the most reliable vote-getter, as Schmidt, and, grumpily, the Bundesbank, know best.

As for the effort to legislate controls on Luxembourg subsidiaries, it might have no better chance than universal Euro reserve requirements. But the demand is part of a bargaining process involving the proposed divestiture of industrial holdings by the big West German banks, and unless Bonn moves full into Phase II European Monetary Fund implementation, subordinating Luxembourg to a new state-to-state lending offensive, concessions to London on this level cannot be ruled out.

Warnings to France and Italy

Meanwhile pressures are mounting against more vulnerable European Monetary System members, notably France and Italy. The lead *Journal of Commerce* editorial Aug. 14 lauded "the trend toward international regulatory cooperation" as "likely in the long run to have far more significant results than all the wasted effort at controlling the size of the Euromarkets" through reserve requirements. But they complained: "The fact that the three biggest banks in France are owned by the government has limited the enthusiasm of the French regulators for certain international initiatives."

The editorial went on to stress the interbank market, whose "greatest potential abuse," it suggested, "comes from foreign governments pursuing monetary policy that forces their banks into the interbank market for what amounts to balance of payments financing and reserve building." This points to Italy, whose credit ceilings, as the *Financial Times* recently noted, have encouraged banks to borrow internationally. Italian borrowers are welcome in the Euromarkets, given the lira's stability and the 5 percent-plus increase in first-half industrial production from January to June 1978.

If heightened labor unrest is provoked in Italy, or the EMS membership that has clinched the lira's stability is jeopardized by the U.S. State Department's control over its interim governments, both Italy and its creditors could be in trouble, sparking the sort of Euromarket crisis London is threatening as a last resort should its "regulatory" ploys fail.

—Susan Johnson

Aground at Lock 26

Those who are concerned about the growth of America's freight transport network should turn serious attention to the Lock 26 Mississippi River project, where an alliance of railroad companies and environmentalists have banded together to stall one of the most vital waterway construction projects in the United States. Although the consequences of the Lock 26 logjam are less far-reaching perhaps, than those of trucking deregulation, they are symptomatic of the difficulties encountered these days in getting underway—to say nothing

TRANSPORTATION

of completing—major projects whose overall benefits are clear and recognized by everyone.

Lock 26 is the most strategic point in the river transport network on the Mississippi. Located in Alton, Illinois, where barge traffic from both the Mississippi and Illinois Rivers converge, and constructed in 1938, the lock is designed to handle a maximum of 46 million tons of shipping per year—a volume reached in 1970.

Today, it is servicing 56-60 million tons. Grain volume passing through the lock has jumped from 5.3 million tons in 1960 to 28 million tons in 1977. The combination of structural and capacity obsolescence has resulted in increasing breakdowns and accidents. Delays and back-ups now *average* 21 hours, costing millions of dollars in lost time and missed shipping connections, at the expense of farmers, shipping firms, and U.S. exports.

In 1974, the Army Corps of Engineers announced its intention to construct a new Dam and Lock 26 to service a maximum capacity of 148-175 million tons per year—triple the current tonnage and quadruple the present practical capacity. The project is now expected to take 7 to 10 years to complete at a cost of \$500 million.

The corps maintained, correctly, that under the Rivers and Harbors Act it had jurisdiction to begin construction and required no further authorization. In August 1974, 21 Western railroads joined the Sierra Club and Isaac Walton League in filing suit in U.S. District Court in Washington, D.C. to stop the project. The suit charged, among other objections, that the project needed specific congressional authorization and

that the Corps' environmental impact statement was inadequate. Judge Charles Richey granted an injunction.

The railroads joined forces with the environmentalists, in part, out of narrowly perceived self-interest. Increased volume and efficiency of Mississippi barge traffic would divert significant amounts of freight to generally less costly water transport, thus "robbing" the railroads of revenue. Too many railroads these days—21 have joined in the Lock 26 dispute—are under the domination of Wall Street interest more interested in quick profits than in building a solid industrial enterprise. On the Penn Central paradigm, these interests have turned most of the Eastern railroads and a number of Western lines into little more than real estate, insurance, and financial operations. As in the case of the decaying Illinois Central-Gulf Railway, the main Class I road along the Mississippi whose parent holding company, IC Industries, would like to get out of railroading altogether, they have thrown the high cash flow of the railroads into such speculative ventures, drastically cutting back on maintenance and improvement. Consequently, their stake in regional development of industry and commerce is slight or negative.

The railroads lobbied intensively for Congress to impose an unprecedented "user tax" on the waterway companies, charging that capital improvement of Lock 26 by the Corps constituted unfair treatment of the railroads, which had no similar outside agency to do its capital construction. In 1975 the State of Minnesota also offered its amicus assistance in the suit against the Corps, charging that the new Lock 26 would be the first step in cutting a 12-foot channel, as opposed to the current nine-foot depth. Minnesota feared the "environmental consequences" of such a dredging operation, although no one had ever proposed a 12-foot channel! To quiet the furor, the American Waterways Operators, staunch advocates of Lock 26, even stated its opposition to the 12-foot draft.

Following the death of various congressional authorization bills in 1975-1976—with pro-Lock 26 forces opposing them because of the user tax proviso, and anti-Lock 26 proponents opposing them because of railroad and environmentalist pressure—a compromise was passed last year. It specifically authorized construction of Dam and Lock 26, but imposed a user tax of 4

cents per gallon of fuel consumed, rising later to 12 cents. \$20 million was appropriated to begin the first phase of construction.

But one year later, no construction has begun on Lock 26. Although the Corps has submitted supplemental environmental impact statements, the environmentalists are charging that these remain inadequate: they do not take sufficient account of the environmental effects of increased water turbulence or of the aquatic life in the few acres of wetlands that would be disturbed!

Currently, Judge Richey is involved in a major criminal case, and had no time for the Lock 26 matter. In August 1974, Richey had denied the Government's motion for a change of venue—and judges—to St. Louis; since then, he has delayed the proceedings on a variety of grounds. The case is not completely in limbo. Meanwhile, Lock 26 continues to deteriorate. In mid-August a barge sank in the lock, tying up traffic for 36 hours.

Phlegmatic response

So far the Corps of Engineers, much and unjustly maligned these days, has mounted only a phlegmatic effort to unscramble the project. While several recent Supreme Court victories by the nuclear industry over environmentalists were due in part because participants in the case based their legal strategy on the U.S. Constitution's fundamental commitment to economic and industrial progress, the Corps of Engineers and the waterway operators have narrowed their strategy to legal technicalities, lobbying, and compromise in an environment rigged against them.

One sticky problem the Corps has yet to confront: its legal counsel is the Pollution Control Section of the Department of Justice, whose lawyers devote most of their time working *with* very environmentalists against whom they are supposedly defending the Corps.

It is ludicrous that the railroads and waterway operators are at loggerheads on the Lock 26 issue. Expanded waterway freight increases the economic development of the nation as a whole, and should lead to even further expansion of output and freight traffic. Until this is recognized and acted on, no one wins but the enemies of progress.

—Steve Parsons