Business Briefs

Fiscal Policy

Big MACs readied for urban centers

As city and state governments suffer accelerating budget deficits and cutbacks under the Volcker-Stockman economic regime, the financial institutions who are being asked to finance the shortfalls increasingly demand that outside "independent oversight boards" be created. Such boards are now functioning not only in New York City, but in Detroit, Cleveland, San Francisco, and for the Chicago school system, with Boston next on the agenda.

These boards may or may not be official public institutions, as in New York City, but will be comprised in any event of financiers, with increasing representation from the New York investment banks. They invariably insist on severe austerity and decimation of city services to restore "a balanced budget," the prelude for enforced emigration and degradation of the remaining city-dwellers.

Transportation

Drew Lewis giving rails to robber barons?

The odor of scandal is rising from Transportation Secretary Drew Lewis's proposal to sell the Conrail system. Most of the railroads who would "cherry-pick" the remains of Conrail, if Congress permits the sale, were former subsidiaries of either the Pennsy or the Central, and were ordered divested by the ICC before the 1968 merger that formed the Penn Central, on grounds of promoting competition between rail lines.

In 1974 these same lines testified in the Penn Central bankruptcy hearings that they could not profitably operate the PC lines. On this basis, federal judge John Fullam ruled that neither reorganization nor sale of the Penn Central could be effected. Conrail was established by Congress to take over the operating lines of the Penn Central Company. Five years and over $6 billion in federal outlays later, the competition has discovered that it is ready to buy the lines.

Agriculture

Congress moves on elevator bankruptcies

Senator Robert Dole (R-Kans.) has introduced a bill (S. 839), cosponsored by Sen. John Danforth (R-Mo.), that would give farm producers a priority position in the distribution of assets in bankruptcy litigation. The need for action was brought to light this summer when a string of grain elevators in Missouri and Arkansas owned by the bankrupt James Brothers was padlocked by a federal bankruptcy court and their contents declared part and parcel of the bankrupts' assets.

Wayne Cryts, Missouri American Agriculture Movement leader and one of the farmers whose crop was at issue in the case, led a six-month court battle to establish the precedence of the valid warehouse receipt he held showing his ownership of the grain. Finally, Cryts, backed by rallying farmers, broke open the padlocked elevator and took physical possession of his grain.

The U.S. Department of Agriculture has assembled a task force to study the problem, and will present a final report on May 15. The issue is urgent for farmers, who cannot afford to have their grain tied up indefinitely or even confiscated. More than 130 bankruptcy proceedings involving grain elevators were filed in 22 states in the past six years.

The Dole bill establishes that a farmer's original warehouse receipt is sufficient to establish ownership of the stored grain. The bill would also set up a strict timetable within which the bankruptcy court must identify farmers owning stored crops, audit the warehouse contents, and distribute the crops to the rightful owners. Senator Dole plans a round of hearings when the USDA task force report is released.

Representatives Dan Glickman (D-(Kans.) and Ron Coleman (R-Mo.) have introduced similar individual bills in the House.

Foreign Exchange

EMS proposal to U.S. sparks Treasury outburst

At the April 12 meeting of the Group of Five finance ministers and central bankers in London, West German and French representatives proposed to U.S. Treasury Secretary Donald Regan that the U.S. dollar be "loosely linked to the currencies of the European Monetary System," a Federal Reserve source reported this week.

"It is not a secret that West German Chancellor Schmidt and French President Giscard want U.S. interest rates reduced," said the source, "but Regan and [Federal Reserve Chairman] Paul Volcker told them flatly that this is simply not going to happen. The Europeans are deeply concerned that unless U.S. rates fall soon, there will be renewed capital flight out of EMS currencies into the dollar."

The Europeans have directly proposed the dollar-EMS link as a means of providing a currency stability program within which the United States and Europe will be able to jointly lower interest rates together, this source added.

"The Europeans propose that the U.S. and the EMS set up a 'common dollar policy,' of coordinated foreign exchange intervention, which would in effect loosely link the dollar to the EMS currencies," he said. "It is much easier to have such a coordinated currency support program than it is to jointly lower interest rates.

"They want to fence the U.S. in," he said, "using coordinated intervention, as a first step to lower rates."

This has provoked an outburst at the Treasury. Not only has the U.S. refused to lower rates, but Treasury Undersecretary Beryl Sprinkel told the press after the Group of Five meeting that he intends to halt U.S. intervention on foreign exchange markets altogether. "Sprinkel is throwing down the gauntlet to the Europeans," said the source. "He's telling them that the U.S. won't help save the EMS."

Banking

New York S&Ls denounce Heimann

Charles G. Weyant and Paul A. Schesberg, chairman and president, respectively, of the Savings Association League of New York, have publicly characterized Comptroller of the Currency John Heimann's program for the savings and loans as "appalling to ludicrous." Heimann has proposed legislation allowing interstate purchases of S&Ls.

"The Savings Association League of New York State will reserve judgment on legislation being prepared" by the Comptroller, said the League in a press release. "However, based on early reports describing the essential thrust of the proposal, we feel justified in stating that they range from the dangerous, to the appalling, to the ludicrous.

"The measure appears to be dangerous because it points toward an acceleration in the rate of mergers between financial institutions, an alarming concentration of economic power in the hands of relatively few enormous banks, and a diminution, if not obliteration, in the community and housing-oriented identity of thrift institutions."

The New York League noted that Heimann has announced that he has no intention of regulating speculative money market funds, and would rather see the S&Ls deregulated instead. They termed the Heimann plan "appalling, to the extent that it ignores the threat to economic stability posed by the rapid, unregulated growth of money market mutual funds."

Heimann this week suddenly announced his resignation from the Comptroller's post.

World Trade

France will push for sale to Soviets

The French Foreign Affairs Ministry announced on April 10 that France will take "every possible step" to alter the European Commission decision prohibiting French sales of 600,000 tons of wheat to the Soviet Union. France considers the EC decision "incomprehensible and inadmissible," the spokesman said.

The French sales, and U.S. Secretary of State Haig's apparent tacit approval of the move, were brought to light on April 3 when Agriculture Secretary Block publicly blasted Haig, revealing that he had been informed of the matter not by the State Department, much less the Secretary, but by a "foreign" source.

On April 9, the European Commission decided that the proposed sale does not fit within the boundaries of prior EC agreement to toe the line on the U.S. embargo, and not fill the gap created by the American embargo. France insists that the sale falls within the range of normal French volume of farm exports to the U.S.S.R.

The French initiative, and Secretary Block's bold use of it to deal Haig a political blow, have rent a hole in the embargo at a time when domestic pressure against the self-defeating measure has reached a new peak.

Secretary Block and other department officials have stated over and over that they anticipate that the embargo will be terminated within weeks. *Feedstuffs* weekly newspaper revealed in its lead story April 13 that the Reagan administration was now putting the finishing touches on a "contingency framework" for terminating the embargo and proceeding with negotiations for a second five-year bilateral agreement with the Soviets.

The key factor in the White House decision, according to Secretary Block, is a credible cooling down of the Polish situation, especially the threat of Soviet intervention.

Briefly

- **THE TEAMSTERS'** \$2 billion Central States Pension Fund posted an average 7.9 percent yield for the decade, double the average yield for pensions held by bank trust departments and insurance companies. The yield statistic was released by Equitable Life Assurance. Much of the strong Teamster performance came from capital gains on real estate sold by Equitable Life after 1976, when the insurance company was appointed trustee of the fund. Now holding a large portfolio of common stock, the fund is expected to drop to average levels of performance.

- **NORTH CAROLINA** has become the eighth state to have a resolution introduced in its state legislature calling for lower interest rates and credit for productive investment. The sponsor of resolution H.J.R. 819 is Democrat Ron Taylor, a farm implements manufacturer and former American Agriculture Movement member who chairs the state House of Representatives' Public Utilities Committee. Two cosponsors are members of the Rules Committee, which will hear the resolution.

- **HELMUT SCHMIDT** writes that "carefully balanced economic partnership is in the interest of both" East and West, in an article in the spring issue of *Foreign Affairs*. There is no danger of West German economic dependence on the U.S.S.R., the chancellor states, since only about 2 percent of German exports go there.

- **THE ECONOMIST'S** Intelligence Unit, under the heading "Chinese Bookkeeping," warns in a recent report that "Credit terms in Southeast Asia sometimes stretch beyond six months. Goods [are often received] back after several months without payment . . . bribes handed out to local officials . . . debts settled by secret societies, goods stolen, and traffickers compromised."