Business Briefs

Economic Warfare

British asset seizure reported set

The West German Finance Ministry reported on May 7 and confirmed on May 10 that Argentina was prepared to seize British assets in that country. Argentinian press accounts claimed that the government had established a commission to draw up a seizure list.

Meanwhile in Paris, Venezuelan Finance Minister Luis Ugueto confirmed that his country had moved $3 billion in state reserves from London banks to Paris banks. He termed the switch "a normal commercial precaution."

AFP, the French news agency, reported in early May that Petroven, the Venezuelan state oil company, had withdrawn $2 billion from London banks.

British creditors are strongly pressuring American banks to demand that the escrow account established by the Argentinian banking authorities to pay British creditors be moved from Argentina to Switzerland.

Banking

Congress fiddles while savings & loans burn

A series of multi-billion dollar bills were passed by the House Banking Committee May 11-12 to assist the nation's bankrupt savings and loan and homebuilding industries. Not only will the Democratic-sponsored bills fail to keep either industry from going under—but both are likely to be held up by the Republican-controlled Senate and possible Presidential veto.

House Banking Committee Chairman Fernand St. Germain's Net Worth Guarantee Act, which was passed by the Committee to the full House May 11, would provide for the U.S. Treasury to spend up to $8.5 billion during the 1983-84 fiscal years to rescue bankrupt thrift institutions. S&Ls whose net worth (capital) fell below 2 percent of assets would receive U.S. Treasury certificates to keep net worth up. Only in cases where the S&L then subsequently failed would the Treasury be forced to pay out actual funds.

This means that the bill will add precisely no credit to the S&Ls, which desperately need more credit to make new loans to the housing industry.

The House Banking Committee also voted up for House approval $4 billion in U.S. Treasury subsidies for the homebuilding industry, which is supposed to also help S&Ls by providing subsidized mortgages. The House voted to spend $1 billion during fiscal 1982, and an additional $3 billion during fiscal 1983, on federal mortgage subsidies. The bulk of the money will go to subsidize interest rates on mortgages, such that if, for example, a savings and loan is obliged to charge a home-buyer 15 percent on his mortgage, the consumer may receive up to a 6 percent interest-rate subsidy from the federal Department of Housing and Urban Development.

However, as long as Federal Reserve Chairman Paul Volcker keeps rates high, S&Ls will lose money, since they have to pay twice as much to depositors as they can earn on their old mortgages. Until Volcker's policy is changed, S&Ls will continue to be bankrupted, and homebuilding will continue at historic lows.

International Credit

Hot-money influx erodes U.S. banking

Since the Malvinas crisis began April 2, more than $18 billion has flowed into International Banking Facilities in major U.S. cities, the Federal Reserve reported May 7. This makes a total of almost $109 billion that has come in since the facilities were legalized at the beginning of 1982.

International Banking Facilities (IBFs) are a device created by Federal Reserve Chairman Paul Volcker to allow off-shore unregulated banking to take place in major U.S. cities. Under the Fed's new IBF provisions, any U.S. bank can set up an "offshore" office, physically on-shore in their U.S. headquarters, and begin to take in foreign hot money and make foreign loans. These IBF units are completely unregulated, have no reserves set aside in case loans go bad, and pay no taxes.

The Malvinas crisis "has helped IBFs tremendously," Bank of New York Chairman J. Carter Bacot told *The New York Times* May 7, because when Britain froze Argentina's assets in London April 2, it ruined London's business reputation as a no-politics financial center par excellence.

No one should think this is a victory for the United States, although it is a loss for London. Only Venetian *fondi* stand to win, as hot money undermines the entire economy. This is because the IBF boom helps to shift the entire U.S. banking system and economy away from American System loans for industry, agriculture, and other productive purposes, and toward speculation. Regional banks from all over the country will be putting deposits into IBFs, instead of making productive loans.

Trade

Commerce Secretary to penalize imported steel

Commerce Secretary Malcolm Baldrige, in a letter to the House Commerce subcommittee, said that his department is ready to impose penalty duties against some of the foreign manufacturers accused by U.S. steelmakers of unfair competition.

Under the "critical circumstances" provision of the 1979 Trade Adjustment Act, the Commerce Department may collect penalties up to 90 days prior to a preliminary determination of "dumping" or other trade improprieties. Baldrige announced that "the retroactive tariffs will apply to imports that were rushed into the U.S. market in an effort to beat the department's preliminary determinations."

The Commerce Department action is based on complaints by seven American steel companies against nine European countries and Brazil and South Africa.

The effect of these suits has forced steel imports down 15 percent in March from the previous month.

Gold

British banks endorse BIS gold scheme

Representatives of Britain's N.M. Rothschild and Sons, along with Swiss and other international bankers, roundly endorsed a rapid return to an austerity gold standard such as proposed by the Swiss-based Bank for International Settlements the first week in May. Addressing the London *Financial Times'* annual conference on "Gold and the International Monetary System," the majority of speakers call for a new gold standard to be initiated and controlled by the central banks, such as proposed by outgoing BIS Chairman Jelle Zijlstra late last year.

The so-called "Zijlstra plan" calls for the central banks who make up the membership of the BIS to act, independently of national governments, to set a central bank gold price amongst themselves. Imbalances in world trade would then be settled by the central banks who would pay each other in gold.

However, the BIS also proposes severe credit tightening in every country, which would mean deep economic depression. In order to maintain a stable central bankers' gold price against the U.S. dollar, Zijlstra proposed measures to drain dollars from the monetary system, such as central bank credit tightening, national budget cuts, and wage/price controls.

Mr. Robert Guy, gold-trading director of N.M. Rothschilds in London, told the conference that central banks are already "adopting a more active approach to management of their gold reserves." Central banks may decide soon to "trade gold as actively as foreign exchange," he said. Guy was seconded by U.S. economist Arthur Laffer, a leading "supply side" gold advocate close to the BIS.

Dr. Hans Mast, Executive Vice President of Crédit Suisse, added that central banks will soon be upgrading their gold to the status of monetary reserves, and use them for intervention in the foreign currency markets, just like a currency.

Friedmanism

"Free enterprise" zone troubled in California

A recently launched "free enterprise zone," located southwest of Los Angeles in the township of Dribbles, appears to be in deep trouble. What began as an isolated incident in a small, slave-labor hand-laundry has exploded into a violent general strike, presently engulfing the entire township.

The zone had been viewed as the star project of Mrs. Tom Fondle's Confederation for Economic Degeneracy (CED). CED spokesmen have featured Dribbles as the "community of tomorrow," as proof that people could be "happy and prosperous without using a single watt of light, heat or electric power." Mrs. Tom Fondle itself just recently completed a statewide speaking-tour, promising that the day of a truly non-oppressive form of life-style had arrived.

The trouble began at a small establishment named Whang Gong's British Traditional Hand Laundry, an establishment employing 18 happy female methadone-maintenance cases. Once the iron is heated, over quaint little fires of aged rabbit-dung, the cheerful laundress takes a mouthful of water, which she spits on the laundry as she presses. All was peaceful until Whang Gong caught one of his laundresses swallowing her water on company time, and fired her on the spot.

For reasons yet to be explained, the 17 other happy employees of the Whang Gong's British Traditional Hand Laundry walked out. Mysteriously, that impromptu labor-dispute spread through the labor-force of Dribble.

Briefly

- **ARGENTINA'S** central bank loosened credit to the banking system May 13, by lowering minimum reserve requirements from 16 percent to 15 percent—the bank's third decrease since the Malvinas Islands crisis began April 2. The move will make more than 2 billion pesos ($1.4 million) available to the banking system.

- **THE INTERNATIONAL** Monetary Fund will get no requests for financial help from Argentina, Argentine finance minister Roberto Alemann told the press May 12. Alemann was speaking from Helsinki, Finland, during the Interim Committee meeting of the IMF, where he attended as the Argentine delegate. Argentina is quite able to pay its foreign debts, Alemann stated, in spite of British allegations, and has no need to submit its economy to IMF conditionalities.

- **BRITISH EXPORTERS** to Nigeria are being badly hurt by the Nigerian import freeze which Britain itself has forced upon the African nation, London firms complained the first week in May. British exporters, who sold over $3 billion in industrial goods to Nigeria last year, have been hardest hit by Nigeria's reduction in imports this year of over 33 percent. In March British Petroleum collapsed Nigerian oil revenues by dumping light oil comparable to Nigeria's on the open markets, costing Nigeria up to 50 percent of its projected revenues so far this year.

- **THE WEST GERMAN** government expects German banks to increase financing from 90 to 100 percent of their share of the Siberian pipeline scheduled for completion in 1987. German banks, which had held back on further credits to the Soviet Union under U.S. pressure following the Polish crisis last December, are now reported prepared to increase their financing from $1.12 billion to $1.25 billion.