

Business Briefs

Insurance

Prudential gobbling up bank stock

Prudential Life Insurance Company has increased its holdings of U.S. commercial bank stocks.

Prudential, which was recently in the news for its takeover bid to acquire Bache, Halsey, Stuart, the eighth largest commercial bank in America, disclosed that it has purchased the following percentage ownership of American bank stock: Chase Manhattan, 5.4 percent; Continental Illinois, 5.7 percent; Citicorp, 4.0 percent; Bankers Trust, 5.0 percent; Western Bancorp, 5.0 percent; and Bank of America, 1.5 percent.

Prudential has indicated that it is increasing its ownership of U.S. bank stocks, because the prevailing gap between commercial bank prime rate, and the current rates for certificates of deposit, etc. range between 300 and 400 basis points. This represents effectively the spread the commercial banks have enjoyed, as money market rates have come down much faster than the prime. Thus banks are enjoying very large earnings for the last part of the first quarter and will probably continue to enjoy these earnings even if the economy goes into recession, because the Fed has indicated it will keep the interest rates such that the large banks can continue to enjoy their super-high prime.

Foreign Exchange

Revaluation inside the EMS?

Usually reliable West German banking sources predict a revaluation of currencies within the European Monetary System (EMS), a fixed interest-rate agreement between the members of the European Community excepting Britain. The revaluation will reportedly follow the expected re-election of France's President Giscard early in May.

According to these sources, the Ger-

man mark will rise 3 percent above its former central parity, while the Belgian franc, the Danish kroner, and the Italian lira will fall by 3 percent from their previous parity. The French franc will reportedly remain unchanged, and the Dutch guilder, which usually moves in close step with the German mark, may also be revalued upward by 3 percent.

A report last week in the Swiss *Neue Zürcher Zeitung* gives some credence to this report. The *NZZ* cited Belgian central bank officials predicting another realignment within the EMS, following the recent devaluation of the Italian lira by 6 percent. No numbers were given. However, since the Belgian central bank is currently pressing to avoid a franc devaluation, this forecast may indicate that the present franc defense effort is already discounted for failure.

Banking

'S&LS don't recognize their enemy'

The savings and loans thrifts are being deliberately "tracked" into criticizing unregulated money market funds, which steal thrifts' deposits using higher interest rates, to "keep them from attacking Fed Chairman Volcker's high interest rates," a source at the Treasury told *EIR*.

"The fact is that we are going to have a high rate of inflation and high interest rates for some time," said the official, "and the savings and loans are going to have to be rationalized. Continued high interest rates will mean that they will not be able to afford the deposits they need, and home buyers will not be able to afford their mortgages. So there will be fewer S&Ls. This is the main danger to the S&L industry."

But "luckily," he said, "the S&LS don't recognize their enemy, and have chosen to attack money market funds instead of the Fed." The U.S. League of Savings Associations is lobbying for Congress to regulate the money funds and cap their interest rates, which are twice those paid to depositors by the S&Ls. The S&Ls charge the funds have

bled them of \$60 billion in potential deposits in the last six months.

"The S&Ls are getting bad advice from their economists," some of whom are supporters of the Volcker Fed, said the source, "and they've been told the money funds are an easier target."

World Trade

Ito to Haig: resume nuclear trade

Japanese Foreign Minister Masayoshi Ito requested Secretary of State Alexander Haig to end the obstruction of Japan's nuclear energy program that had prevailed under Carter, according to Washington sources. Carter had halted Japan's reprocessing of plutonium by threatening to cut off uranium supplies and had hindered Japanese industries' plans to export nuclear reactors.

At a March 25 joint press conference with Ito, Haig agreed only to "further discussions . . . with a view toward greater flexibility" by the U.S., which has been interpreted as a stalling gesture.

Following a March 26 cabinet meeting, the government licensed the construction of three nuclear plants for a total output of 2 gigawatts, the first in two years. In addition, Hitachi announced plans to resume development of nuclear reactors intended for export.

Energy

Japan to overtake U.S. in fusion

The Japanese government's Science Council has proposed a \$5 billion fusion program for 1982-1993, including the achievement of a demonstration engineering reactor prior to anything now planned in the U.S., according to sources in the Japanese fusion community.

U.S. sources said the program is equivalent to a \$10 billion U.S. budget, about twice the level now being spent in the U.S. and a 150 percent increase from

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current Japanese budgets.

The heart of the program is a \$3 billion fusion engineering device (FED) to be completed by 1993. It will produce net power and will be the last device needed before a commercial prototype. It is much larger than the FED mandated by the U.S. McCormack fusion act to be built here by 1990.

Japanese sources say the Ministry of Finance has given "tacit budgetary approval" to the proposal.

Japanese Foreign Minister Masayoshi Ito and former Prime Minister Takeo Fukuda, whose administration launched U.S.-Japan joint fusion research, both urged President Reagan to continue the research cooperation, during their March visits to Washington.

Corporate Strategy

Congress to stop foreign takeovers?

A group of congressmen is attempting to stop the takeover of U.S. mining concerns by foreign interests which has recently become a deluge in the U.S. This includes the British Petroleum-owned Sohio "friendly" bid of \$1.77 billion to take over Kennecott Copper and the Bronfman-owned Seagram \$2 billion hostile bid to take over St. Joe Mineral's Company.

Congressmen Gephardt and Emerson, both from Missouri, the state where St. Joe has large holdings, have introduced H.R. 2826, which would establish a six-month review cooling-off period from the time a foreign concern made a bid for an American minerals firm with leases covered under the Mineral Leasing Act of 1920, until the time that such a takeover could be approved. During this cooling-off period, the Congress would decide whether the takeover posed a security threat.

The 1920 Mineral Leasing Act covers all mineral firms that have mineral leases under the act, which includes oil, gas, coal, and some of the nonfuel minerals. Other minerals, such as lead and zinc, are covered under the 1872 Minerals Act.

The House Mining and Mines subcommittee has scheduled hearings for April 9 on the takeover bill.

Military Technology

British moving on Trident deterrent

The Defense Subcommittee of the British Parliament spent several days in Washington during the week of March 22 for semisecret consultations with U.S. officials on likely British purchases of Trident missile technologies.

The MPs came on request from British Prime Minister Margaret Thatcher, who has launched a confidential inquiry to determine what would be involved both financially and industrially in producing Trident missiles for the British armed services. Current estimates are that Britain does not have the money to purchase the range of Trident equipment it would like to possess.

The talks in Washington were kept confidential because the guidance system designs for the Trident warhead are classified and Britain is currently attempting to determine whether it has the electronics capacity to produce parts of the guidance apparatus. Members of the House and Senate Armed Services and Foreign Relations Committees agreed, in addition, to keeping the talks hush in deference to Thatcher's request.

However, it is possible that a more politically sensitive issue has pressured Britain to keep its study of Trident out of the U.S. press. Trident is currently being developed as a replacement for the outmoded 1960s Polaris submarine technology. Britain acquired the Polaris system in 1962 as an "independent" nuclear deterrent, only after a very bitter fight with sectors of the U.S. military who wanted to ensure that Britain could never have final say over whether to launch a nuclear offensive on its own. Thatcher may be concerned to prevent any current discussion of the role of Britain's independent deterrent in the NATO alliance since it is not known what the Reagan administration's views are on the issue.

● **WEST GERMAN** construction activity fell 5 percent in February compared to 1980, although the pattern of downturn is different from the U.S. pattern. The largest downturn was in office building construction, with housing second. Industrial plant construction stayed flat at last year's levels.

● **ETIENNE DAVIGNON**, the EC steel commissioner, was in Washington this week for the Trilateral meeting and to propose a U.S.-Japan "auto committee," according to Washington sources, which would rationalize the world auto industry into eight companies with vastly reduced production.

● **INTERNATIONAL** Banking Facilities (IBFs) are under staff review at the Federal Reserve, and the New York banks' plan for free banking zones may have to be "re-vamped," Fed sources said, before the Fed can approve it. The Chicago and California Clearing House banks have protested they want national banking to be implemented before they'll support IBFs.

● **U.S.** government pressure on Tokyo may be behind the failure of the Japan-Soviet talks to reach agreement on sale of approximately \$3.5 billion worth of steel pipeline. The talks broke up March 28 after weeks of discussion but are expected to resume. The steel firms, plagued by loss of sales elsewhere were eager to make the deal, according to Japanese sources, but the government's Export-Import Bank complained the interest rates sought by the Soviet Union were below the 8.5 percent limit set by the Western powers. But this may be just a pretext since the limit is often abridged. U.S. government sources said Washington indicated to Tokyo that reaching a big economic deal "would be sending the wrong signal to Moscow during the Polish crisis."