Business Briefs

Foreign banking

French declare war on Swiss banking 'secrecy'

French customs officials have raided the Paris offices of the Swiss Bank Corporation and a subsidiary of the Nestle's Company and arrested a Swiss financier in a crackdown against illegal activities carried out by Swiss businesses long protected by strict secrecy laws.

The crackdown, which also includes meticulous searching of all luggage coming in from Swiss flights, began last week in apparent retaliation for the arrest in Basel, Switzerland of two French customs investigators April 15. The two were entrapped in Swiss territory after an agent for the Basel police had promised to deliver documents violating Swiss secrecy laws to the two Frenchmen.

Informed observers note, however, that the entities being harassed by French authorities—with the full backing of the government—are notoriously well known for their sponsoring of Club of Rome "zero economic growth" policies (Nestle's) or involvement in the laundering of dirty money linked to narcotics traffic.

Credit

Volcker says no let-up in crunch

Addressing the annual convention of the National Association of Mutual Savings Banks, Federal Reserve Board Chairman Paul Volcker indicated May 14 that he will not significantly let up on the policy he initiated last October.

Volcker did tell the assembled savings bankers that he hopes to eliminate some of the features of the March 14 invocation of the Credit Control Act and replace the mandatory 6 to 9 percent corset on new bank lending by a "voluntary corset." Volcker will continue the controls on credit cards and the extra reserve requirements on certain categories of bank holdings.

Volcker told the gathering, "Money and credit growth have slowed appreciably. Indeed, there is now considerable room for growth consistent with the targets we set for ourselves for all of this year." Yet, Volcker counterposed: "My point is that interest rates have not in any sense been forced lower, nor will they be, at the risk of a resurgence of inflation and inflationary expectations."

Volcker has maintained a very tight rein on the amount of liquidity actually reaching the medium and small sized tiers of U.S. industry. It is possible that he has tightened so severely in the past seven months, that he may have to pump a massive infusion of funds into the economy just to prevent an uncontrolled blow-out. Some thought his May 15 speech would signal just that. However, there has been no sign yet that in the near future new supplies of credit will reach the medium or small sized U.S. company or many larger companies that have been shut out of the credit market.

Technology

NASA tilting at windmills

In a May 15 speech at the National Aeronautics and Space Administration (NASA) Lewis Research Center, William Robbins, the head of NASA's Wind and Stationary Power Division, announced that "thousands of giant windmills" could supply one-third of the electric power of the U.S. and could provide "an alternative or supplement" to nuclear-powered and conventional generating plants.

"We don't need any miracles to do this. No major technological breakthrough is required." All that is needed, Robbins insisted, was the building of 90,000 advanced-design windmills grouped in "wind power farms" using currently available technology.

The only "environmental" drawback to the scheme, Robbins said, was that it would produce "low-frequency noise pollution from the motion of the huge rotor blades."

Energy

Carter program flounders

With one of its key elements upset in federal court this week and other major features under ridicule, the Carter administration's energy austerity program has run into some choppy water. The program as a whole will probably survive more or less intact, however, as the bulk of the legislative package continues to sail through the Congress.

Federal District Judge Aubrey Robinson's action to overturn the oil import fee President Carter designed to rake off a 10 cent per gallon gasoline tax on Tuesday brought a prompt outcry from the *New York Times*. The *Times* insisted that nothing less than a 50 cent per gallon tax was tolerable. For the time being, though, the import-fee gas-tax is prohibited.

Further, qualified commentators continue to point out the fantastic bent of the program goals. Texaco's Tor Meloe, a former government economist, told the Atlanta Economic Club recently that a single plant producing Western shale and tar sands based fuel would cost from $3 billion to $7.5 billion—and its best output would be 100,000 barrels per day. It is highly doubtful, Meloe added, that there would be *any* commercial synfuel production by 1990.

Carter, however, remains fully committed to the program, and a flatulent Congress continues to push and pull and shove at the program, moving it steadily through the hurdles into law. The Energy Mobilization Board is now in conference committee where the strange battle between the warhawks and the environmentalists appears to be settled in favor of the former, granting the Board powers to waive environmental guidelines in the synfuel effort. There could be court tests later, but for the moment, the Mobilization Board, like the Energy Security Coproration synfuel administrative arm, is headed for a successful floor vote in the near future.

Banking

FDIC chief to savings banks: "drop dead"

Irving H. Sprague, chairman of the Federal Deposit Insurance Corp., has accused savings and loan institutions of "still clinging too much to the frayed and worn security blanket of federal protection." Sprague delivered this criticism in a speech before the annual meeting of the National Association of Mutual Savings Banks on May 14.

Many savings institutions are in serious financial trouble as a result of skyrocketing short-term interest rates which have caused savers to withdraw their funds and place them in higher-yielding Treasury bills or money market funds. The plight of thrift institutions has been exacerbated by the passage of the Reuss-Proxmire Monetary Control Act of 1980 which eliminates many of the competitive advantages which the thrifts enjoyed.

To alleviate the pressures on their industry, the association proposed the restoration of the one-quarter percentage point extra interest that thrift institutions were previously allowed to pay on six-month money-market certificates when Treasury bill rates were above 9 percent. It was in response to this proposal that Sprague made his remark about "security blankets."

Sprague also refused to consider applying a temporary reserve requirement to the assets of money market funds, charging that this ran against "the general trend toward freer competition."

As if this were not enough, Sprague stated that he expects the savings bank industry to suffer "severe losses" during this quarter that will "wipe out the artificial gains of the first quarter."

International credit

Funding for IMF, World Bank hits snag

The Carter administration may be forced to reduce the U.S. contribution to several regional development banks by about 10 percent in order to satisfy conservative Congressional opponents of U.S. participation in these institutions. The effected agencies include the Inter-American Development Bank, the African Development Fund, and the Asian Development Bank.

According to Washington sources, the administration may agree to cut appropriations for the banks as a trade-off for Congressional approval of an increase in the U.S. quota at the International Monetary Fund and increased funds for the International Development Association, an arm of the World Bank.

Congressional opposition to the funding measures appears to stem largely from conservative Republicans, who view them merely as more expensive "handouts to foreigners." To combat this resurgence of "isolationism," Treasury Secretary William Miller has released the text of a recent speech he gave before the Chicago Council on Foreign Relations. "These institutions are the centerpiece of our efforts to restore stability and growth to a troubled world economy, strengthening the foundations for broad political cooperation. An inward turn is not a solution to the political threat (to the United States in Iran and Afghanistan) or to the world's economic problems."

Despite Miller's liberal veneer, Third World critics of the IMF/World Bank and associated regional institutions point out that these agencies have fostered underdevelopment by peddling backward "appropriate technologies" and forcing governments to adhere to stringent austerity conditions.

Briefly

● **A MILTON FRIEDMAN** assistant, in his office at the Hoover Institution on War, Revolution and Peace in Palo Alto, California, has asserted that "it is probably true" that Friedman recently advocated decriminalization of marijuana. "In 1972, Friedman wrote a piece for *Newsweek* advocating the decriminalization of *all* drugs," the assistant proclaimed. "Friedman argues that to outlaw drugs is an infringement on individual freedom."

● **PETROSTUDIES,** a Swedish research firm, says that the Soviet Union will not only not become a net exporter of oil in this decade, but will probably not import any petroleum during the 1990s. More intense exploitation of existing fields, said PetroStudies, will give the Soviets ten years of assured full production before it is necessary to find new reserves. Reliance on American capital equipment will also be eliminated.

● **THE CHINESE** have attempted to produce their own version of Boeing's 707 jet, but after completion of the model at a secret factory, it wouldn't fly. Reports indicate that the Chinese, who apparently built the plane out of extra spare parts ostensibly ordered for 4 Boeing 707's purchased in the United States, forgot to establish a center of gravity for the aircraft, the first principle of design. Boeing representatives, as well as the Pekingese, are said to be very embarassed at China's failed effort to copy the 707. Unconfirmed rumors, however, say that the Carter administration intends to go ahead with plans to purchase 50 helicopters equipped for desert deployment from the same Chinese engineering firm.