

other hand, one has to think about how such a system might work.

Instead of fixed zones it would be possible to have systems that were activated ad hoc if the participants agreed on intervention. In this respect the proposed European Fund might play an important role. If funds were moving away from the dollar toward the Deutschemark, the Fund might intervene, both buying dollars and debiting the U.S. in ECUs and selling short-term paper in Germany in order to offset the liquidity effects in Germany, which would be credited in ECUs by a similar amount. The essence would of course be that the Fund bought dollars for Deutschemarks ... but the U.S. debt to the Fund and the German credit balance would be expressed in ECUs.

In this way the Fund could operate in the system for the European currencies and ... it would have obvious advantages compared with the present system, first, because the liquidity effects in Germany would be offset automatically, which is not the case at present, and secondly because the question of exchange risk would become less extreme....

Survival of the fittest

Former U.K. Trade Minister Edmund Dell's speech at the Financial Times conference was titled "Pressures for Protectionism — Mercantilism and Free Trade in the 1980s."

In the last few years of economic depression it has been discovered by some, confirmed by others whose view of human history was not distorted optimistically by the exceptional growth and prosperity of the first 25 years after World War II, that there is in fact no single key, ... no system of world economic management that reconciles the interests of all nations. On the contrary there is conflict. This is a highly competitive, Hobbesian world. ... In every nation and in every government there is a basic protectionist instinct....

Don't invest in technology

Fiat owner Gianni Agnelli, whose ties to international terrorism are receiving increasing attention in the European press, called for labor intensive "appropriate technologies" for the Third World in contradistinction to industrial exports:

... The continuing U.S. payments deficit has created a vast, self-multiplying pool of nearly \$800 billion. Ensuring that these sums are invested according to rational economic criteria poses an enormous challenge to the financial community.... We in Italy have our own catalogue of cathedrals in the desert. But it gives us no pleasure to see investments wasted in a similar fashion in other parts of the globe.

Rough going for bank takeovers

Ongoing efforts by the City of London clearing banks to take over American banking institutions with aggregate assets of over \$20 billion have run into severe trouble with the U.S. regulatory authorities and financial public.

The real opposition to the return of the British fleet to American waters began with the U.S. Labor Party's Oct. 4, 1978 appeal to the Federal Reserve Board of Governors that Hong Kong and Shanghai Banking Corporation not be allowed to purchase Marine Midland on grounds that HongShang and Standard Chartered finance the world drug trade. The Labor Party's subsequent publication of the paperback *Dope, Inc.*, which has sold over 15,000 copies, has set off a popular backlash.

Stock falls

For example, widespread rumors the week of Feb. 9 that the Fed was about to reject Standard Chartered's bid for control of Union Bank in Los Angeles brought Union's stock down sharply. After SCB announced its bid for \$33 per share last June, Union's stock jumped to \$30 per share but tumbled below \$25 on the February rumors.

N.Y. State Superintendent of Banks Muriel Siebert in fact astounded the market when she told the press in late January that "I would expect a decision by the middle of the year ... I hoped to have a decision earlier ... (but) we still have a lot of material to sift through."

Sources say the NYSBD has three major objections:

1. Accounting: As HongShang's auditors Peat, Marwick Mitchell & Co. and Price Waterhouse & Co. have told the Fed, "The Financial statements of HSBC are not required to (under the Hong Kong Companies Ordinance), and do not, comply with either United States generally accepted accounting principles or regulation S-X of the U.S. Securities and Exchange Commission." HongShang,

of income of profits — much of which could be drug-related.

2. Reciprocity: "We don't imagine the British authorities would let Citibank purchase Barclays or National Westminster," NYSBD officials are reported to have said, "and until they clarify that position we don't feel we have reciprocity."

3. Public Reaction: The U.S. financial community is said to have begun to complain at the "cheap fire sale" nature of the wave of British takeovers more generally; they don't feel that the U.S. banking system should be up for grabs just because the dollar is temporarily weak.

—Kathy Burdman