

Business Briefs

Forex

Soviets buy French francs

Both the Soviet Union and Saudi Arabia are reported to have invested heavily in French francs in mid-January, New York foreign exchange sources say. The two governments reportedly each purchased \$1 billion worth of the French currency. These investments occurred at about the same time that the French Treasury was floating an 8 billion franc bond issue to finance a politically controversial budget deficit. The bond flotation proved so successful that the government increased the issue to 12.5 billion francs. Since the Soviet-Saudi purchases produced no noticeable ripples in the foreign exchange market, it is likely that they were handled through direct government-to-government transactions with the purchasing countries accepting payment in the form of French Treasury bonds. One intriguing question is whether the Soviets paid for their share in gold. According to our source, the Soviet government also informed the French that they supported President Giscard d'Estaing's reelection.

Commodities

Hunts back down in silver squeeze?

Bunker Hunt and other members of the Dallas-based Hunt family, who had threatened to take delivery of massive amounts of physical silver through U.S. commodity futures markets, appear to have backed off momentarily, according to trade sources. In January, the New York Commodity Exchange had restricted silver trading to the liquidation of contracts, in an effort to prevent speculators such as the Hunts from establishing a corner. At the end of January, however, only 204 January silver contracts, representing about one mil-

lion ounces of silver were still outstanding. The COMEX has 78 million ounces in its vaults, so that if the owners of these contracts were to demand delivery, the Exchange could have fulfilled this easily. According to informed sources, the Hunts and Swiss Bank Corporation, which reportedly financed the family's silver buying binge, may have decided to forego delivery as a result of heavy pressure stemming from the Commodity Futures Trading Commission (CFTC).

Banking

Comptroller approves HongShang takeover

Comptroller of the Currency John G. Heimann approved today the application of the Marine Midland Bank of Buffalo, New York to become a national bank, clearing the way for the bank to become a subsidiary of the Hongkong and Shanghai Banking Corporation. Marine Midland had sought the national charter in order to remove it from the jurisdiction of New York State Superintendent of Banking Muriel Siebert, who had refused to approve the HongShang takeover.

The takeover had been the target of strenuous efforts to prevent it, led by the U.S. Labor Party, which contended, supported by extensive documentation, that the bank ran and funded narcotics smuggling out of the Far East. In his decision, Heimann referred to this objection, citing a claim from the "public" that the HongShang "is a participant in a drug cartel involving the financing of illegal drug activity and the laundering of drug-related monies. Specifically, it is acting as agent for the British monarchy in the management and financing of the worldwide opium trade." Disregarding the documentation's specific evidence, Heimann said there is "no probative information to support this allegation."

Labor

Steelworkers told: 'Buy or bye-bye'

On Jan. 28 some 200 steelworkers crashed through a glass door and occupied the Youngstown offices of the U.S. Steel Corp. to protest the scheduled closings of two area plants.

The closings will idle 3,500 steelworkers and bring to 10,000 the number of Youngstown steelworkers who have suffered a permanent job loss since 1977. They are part of the rationalization strategy announced by U.S. Steel chairman David Roderick in mid-December in which 16 facilities are slated to be shut down in all, idling around 13,000 U.S. Steel employees.

The Youngstown occupation led to a meeting between U.S. Steel representatives and local union presidents, in which the company—known as U.S. "Steal" in the steel belt—offered to sell the two vintage-1900, open hearth plants to the union for an unspecified sum. "Buy or bye-bye" the headline in the Jan. 30 Cleveland *Plain Dealer* ran.

After the fall 1977 shutdown of most of the 5,000-man Youngstown Sheet & Tube Campbell Works steel complex in Youngstown, a similar "buy-back" strategy was spearheaded by Gar Alperowitz of the Exploratory Project for Economic Alternatives. Alperowitz, has failed miserably in getting the project off the ground, largely because the adequate start-up capital has not been forthcoming.

Industry

Auto expects 27 percent first quarter collapse

The U.S. auto industry anticipates that first quarter 1980 domestic sales will

Briefly

● **BRITISH POLICYMAKERS** are so awed by the strength of the progold Paris-Bonn axis that some are ready to concede the reality of gold remonetization although still disputing the form it will take. In his Jan. 28 commentary, *Guardian* financial editor Hamish McRae grudgingly admitted that "it would be absurd not to acknowledge that at its higher price, gold has again become an important potential source of international liquidity. If it were again to take on a monetary role, rather than being locked up in vaults of the central banks, it could even present the Western world with a *deus ex machina* that would enable it to escape from the dismal prospect of successive reductions in oil production preventing any economic growth in the 1980s."

● **BANK REGULATORY** officials believe that the long delay preceding final approval of the Hongkong Shanghai Banking Corporation takeover of Marine Midland Bank has badly burned other British institutions, and prevented further takeovers. Potential buyers now believe the effort might not be worthwhile, in view of forthcoming hearings by House Banking subcommittee Chairman Benjamin Rosenthal (D-N.Y.) and others.

● **TREASURY SECRETARY** Miller's role in Textron's \$600,000 in illegal payments to Pentagon officials in 1976 may have been brought to light by Kennedy sympathizers in the Securities and Exchange Commission, sources close to Miller believe. Miller is known as a Carter hatchetman and a member of the President's inner circle of advisors. SEC allegations, stemming from a two-year investigation, were made public Jan. 31, stating that then-chairman Miller knew about Textron's illegal activities.

tumble to 27 percent below the first quarter level of 1979, according to auto industry sources. For the month of February, the industry has revised its estimates downward, anticipating a 20 percent decline from last February's levels rather than the previously estimated 15 percent fall. January's production was 40,000 units below expectations, at 525,000 units.

Hardest hit will be Ford, expected to be down 46 percent in both February and the quarter from year earlier levels, closely followed by Chrysler, down 45 percent in both periods. General Motors will be down 8 percent in February, and 16 percent for the quarter.

Moreover, according to the industry sources, even these levels will have to be trimmed in March, possibly by 7 or 8 percent more, if the anticipated seasonal spring upturn fails to materialize.

Energy

Rash of nuclear plant cancellations

Four nuclear plants in Ohio, two in North Carolina, two on Long Island, and one in upstate New York, will be cancelled or postponed by up to three years, it was revealed this week. In Ohio, four utilities announced cancellation of plans for building one nuclear power plant each, valued overall at \$7.3 billion, and extended the production schedule for three other plants by 1-3 years. The Cleveland Electric Illuminating Co., Toledo Edison, Ohio Edison, and Duquesne Lighting Co. cited "political and regulatory uncertainties" as the reasons for the cancellations and postponements.

In North Carolina, the Duke Power Company in Charlotte, serving four million Piedmont residents, announced it would defer by three years a 2,560 megawatt nuclear power complex. The company will lay off 1,000 workers as-

sembled for the construction project. The company said the decision will cause rotating blackouts by the end of the decade, when the plants were scheduled to have come on stream.

The Long Island Lighting Company was denied a license to construct two more nuclear plants on Long Island, a project worth \$4.5 billion. And Niagara Mohawk Power Corp., near Syracuse, will defer completion of its Nine Mile Point No. 2 plant for two more years, after already having postponed completion by three years recently. The company cited "technical and regulatory problems" as the reason for the delay.

Domestic Credit

Carter's budget draws criticism

Criticism of Carter's budget came from both sides of the aisle in the Senate yesterday, as administration officials testified. Senator Harry Bellmon (R-Okla.), the ranking Republican, criticized the budget for being too high, and attacked Carter for failing to "deal effectively" with the growth of government. "This budget is not balanced even with the highest level of taxation since World War II," he said. Sen. Bellmon's remarks were addressed to James T. McIntyre, Jr., director of the Budget, G. William Miller, Secretary of the Treasury, and Charles L. Schultze, chairman of the Council of Economic Advisors.

From the Democratic side, Edmund Muskie confessed "disappointment" that the budget was still in deficit while Sen. Sasser of Tennessee asked why there was no special effort to arrest the slide of industrial productivity. Miller responded that stopping inflation was the first step to reviving productivity. The budget predicts a slight slowing of inflation to 10 percent, but most observers regard this as unduly optimistic.