

Business Briefs

Real estate

NAR rejects Volcker cuts

The National Association of Realtors has recommended limited but important measures to expand personal consumption as part of the recovery.

To reverse the 50 percent drop in housing starts since Volcker initiated his credit squeeze on the Columbus Day weekend of 1979, the NAR has proposed: "Slow the growth of federal taxes by one-fourth by initiating \$25 to \$30 billion in tax relief now, to offset the effects of inflation for all taxpayers, giving each household about \$200 more spendable income during the next 12 months; to encourage a substantial increase in personal savings; to stimulate investment for plant and equipment to increase productivity, slow inflation and improve living standards; to revive investment in housing to improve the quality of life for ourselves and our children."

The NAR measures will put the real estate and housing industry into a head-on clash with Volcker, who told a group of thrift institution bankers three months ago, that housing would not get funding until the 1990s.

Public policy

Lord Kaldor attacks monetarism

Lord Kaldor, the former head of British National Oil Corporation and a former top adviser to Prime Minister Harold Wilson, denounced the "curse of monetarism at an economics symposium in Mexico last week. Kaldor attacked monetarism as an "intellectual disease" that "has grown like a new California cult."

Monetarism, he said, is "extremely superficial and inadequate, but with a great attraction for those who seek only their personal interest and for semi-edu-

cated people whose success would enormously aggravate social tensions."

Monetarism has been the guiding economic philosophy of the present British administration under Prime Minister Margaret Thatcher. Kaldor added that financing the deficits of non-oil-producing Third World countries, which has occurred so far primarily through lending by large private U.S. and European banks, is becoming more precarious. This could lead in a few years to a worldwide banking collapse, a predicament which "signals the end of monetarism."

International credit

Euromarket lending to LDCs picks up

Euromarket borrowing by non-oil-producing Third World countries appears to have increased in the third quarter after an extremely depressed first half. Some of the more developed countries are winning easier credit terms, with European, Arab and Japanese banks dominating the lending consortia.

Four Arab banks were involved, along with three Japanese banks, in a \$100 million syndication for the Philippines central bank. Japan's Finance Ministry allowed the Japanese banks to take up 23 percent of the loan, waiving a rule restricting Japanese participation to 20 percent when Japanese banks have a lead role.

Taiwan currently seeks a 10-year loan of \$200-\$250 million for the state Taiwan Power Co. on terms some banks have rejected. Taipower's finance VP, Lan Chang, reports, however, that he can get the terms he wants through smaller loans from single banks, mostly European "newcomers to the island." Other major loans in the past two weeks include a \$1.8 billion jumbo credit for Venezuela, led by Citicorp, and a \$250 million loan to Argentina, which won a spread of only half a percent over Libor for the first four years of the eight-year credit. Leaders include Deutsche Bank, Credit Lyonnais,

Industrial Bank of Japan, Manny Hanny and Toronto Dominion. Ireland has negotiated a \$114 million multicurrency credit line at only 0.375 percent over Libor from a syndicate led by Midland Bank, which competed against nine other syndicates to win the loan.

European Community

Gaullist spokesman blasts EC farm policy

Michel Debré, a senior Gaullist leader and current candidate for the French presidential elections in 1981, characterized the agricultural policy of the Brussels Commission of the European Community (EC) as "Malthusian" in a *Le Figaro* interview Aug. 7.

"We are told that Europeans are producing too much wheat, too much milk, and too much meat. . . . On even days we get speeches on aiding starving people, on odd days a speech against surplus and for Malthusianism. . . ."

"If we had a reasonable conception of Europe, we would develop certain sectors of agricultural output and an agrobusiness industry under the double banner of political generosity and the nutritional independence of our continent," Debré declared in the interview. Europe's "butter mountain" and other farm surpluses have been the target of controversy for years.

Transportation

Railroad rate bureaus to be dismantled

The Interstate Commerce Commission struck down the right of the nation's railroads to meet and set freight rates collectively through rate bureaus Aug. 13. This is the ICC's biggest step so far toward the deregulation of the rail industry. Such deregulation will cause a shake-

Briefly

● **LEADERS OF SIX** national organizations concerned with the housing sector decamped from the Democratic Convention this week for a private meeting at a New England resort to discuss "survival strategy" against the Fed's tight money regime.

● **EDWARD HEATH** the former British prime minister, is the likeliest candidate to succeed Robert McNamara as president of the World Bank, the London *Sunday Telegraph* reported Aug. 10.

● **MARGARET THATCHER** is "flying blind," the London *Financial Times* charged in a Aug. 9 op-ed, reviewing the report that British money supply jumped by a staggering 5 percent in the single month of July, despite official monetary stringency.

● **ROBERT TRIFFIN** suggested that the European Monetary System might be the vehicle for introducing the Soviet bloc's "transferable ruble" into Western markets, at a recent financial seminar in Dubrovnik.

● **SAUL STEINBERG**, Reliance Corporation chairman, astonished Wall Street analysts by his decision to liquidate Reliance's thrift institution, Imperial Corp., when sale of the institution would have netted more.

● **GEOFFREY HOWE**, Chancellor of the British Exchequer, has privately circulated to the 25-member National Economic Development Council a report by the U.K. ambassador to Japan. It concludes that Japan's technological challenge threatens to reduce Britain to "one of the late 20th century minor industrial states." Unlike Japan, Britain is neither developing its own technology nor buying it from abroad, the report emphasizes. In electronics, computer-assisted production, and industrial robots, Britain is far behind on the investment scale.

out that will enable the larger railroads to buy out their competitors.

By a five-to-two vote, the ICC ruled that "collective rate-making tends to inflate rate-levels through setting of uniform rates acceptable to a majority of carriers, including the less efficient. It creates an atmosphere of consensus that discourages the establishment of innovative price and service options by individual carriers."

In the first phase of the deregulation, the larger railroads, such as the Southern Railroad, which is connected to Energy Secretary Duncan, will first force the smaller rail companies into bankruptcy and then buy them up a nickel on the dollar. The rail companies are anticipating a large boom based on the increased use and shipment of coal. The bigger companies, if the ICC rule is allowed to stand, will pick up lucrative coal routes by forcing the smaller rail companies to merge after deregulation first pushes them toward bankruptcy.

Agriculture

Crop output sharply reduced

The Agriculture Department announced this week that based on Aug. 1 field conditions, the corn and soybean crops would be much smaller than earlier predicted. The corn crop is projected at 6.65 billion bushels, 14 percent below last year's harvest of 7.76 billion. Soybean output was put at 1.88 billion bushels, down 17 percent from last year. The winter wheat harvest, on the other hand, most of which was completed before the heat and drought set in in July, appears to be a record-breaker at 2.32 billion bushels.

Great uncertainty has surrounded crop estimates this year, with private estimates for corn ranging from 5.7 billion bushels to 6.6 billion bushels. The USDA estimates are still preliminary and are only the first to reflect the drought. But if they hold, the harvest of corn and other

feedgrains will fall 15 percent short of anticipated consumption requirements. This will require a drawing down of current stocks to about 600 million bushels, or about a one month supply by fall 1981 when the next crop comes in.

The crop reduction announcement has already had the effect of boosting prices on the commodity markets. The most serious effect will be on the livestock sector, where feeding margins will be severely reduced, rebounding in turn on cattle producers ability to begin rebuilding herds.

Comecon

Germans, Arabs in loans to Poland

West Germany's stake in détente prompted German banks to provide a \$15 million loan to Poland, troubled by an adverse payments balances due to high debt-servicing requirements to Western creditors.

The loan, for seven years, was "a particular satisfaction—and relief—for the West German Chancellor, Herr Helmut Schmidt, who will be meeting the Polish Communist Party leader, Mr. Edward Gierek, in Hamburg next Tuesday and Wednesday.

"Herr Schmidt is known to have a particularly high regard for Mr. Gierek, not least for the Polish leader's efforts over the last few months to help contain East-West tension . . ." a London *Financial Times* correspondent reported Aug. 13.

In a separate development, a consortium of Arab banks lent Poland an additional \$300 million. The great political importance of the two loans is indicated by the confusion among the London-based consortium of Poland's British and American debtors.

Earlier, the London group had considered pressing the Gierek regime to make major concessions to workers' protest groups—an intervention in Poland's domestic affairs Bonn considered extremely dangerous.