

Business Briefs

Free Enterprise

Heroin fixes: a health insurance benefit?

Trude Unruh, a Green Party deputy in the West German parliament, has advanced the proposal that drug addicts be permitted to obtain their heroin by prescription. The addicts would then no longer have to resort to criminal acts to get the money for their "fix," she told *Bild* newspaper on Feb. 15.

Bild asked who would pay for this. Unruh replied: "From the health insurance program. On the black market a gram of heroin costs about 400 deutschemarks, but normally it would only cost 27.50 DM."

What about the possibility of drug overdose deaths at taxpayers' expense, in the form of health insurance payments? The state health insurance program would become the middleman for the narcotics cartel, from whose ranks her proposal actually came.

Colombian drug trafficker Carlos Lehder—now on trial in Florida—has been a supporter of the Greens for years. In 1983, he invited Green Party leader Petra Kelly and others to visit him in Colombia.

Colombia's Medellín Cartel, previously specializing in cocaine, and of which Lehder was a part, is planning a big move into heroin trafficking, reported the *Washington Times* Feb. 23. It reports that the cartel has imported chemists formerly of the "French connection" and begun growing poppies in the jungle.

The price of cocaine in Miami has fallen 80% recently, and much less heroin needs to be smuggled to produce the same profit.

Dope, Inc.

More heroin going to Britain from 'Triangle'

An increasing amount of heroin is being marketed in Britain, and most of it is coming from the Golden Triangle. So stated a British foreign affairs official quoted in *Nation* Feb. 13.

"There have been some signs recently that more heroin is coming from the Golden Triangle" in Southeast Asia, said Tim Eggar, parliamentary undersecretary of state at the Foreign and Commonwealth Office, while visiting Thailand to inspect drug-control programs there. He said that the British government would continue to assist those programs. The British have provided Thailand with £55,000 worth of urine testing equipment, and are now seeking an extradition treaty.

The *Nation* noted that 1,280 kilograms of heroin were seized on Feb. 12 at Klong Toey port in Thailand, believed to be the largest heroin seizure in history. Eggar visited the headquarters of the Thai Police Department's Crime Suppression Division, where the seized heroin was stored.

Eggar also visited Burma to deliver testing equipment.

The Monetary System

Journal features Balladur proposals

The *Wall Street Journal* opened up its editorial page to French Finance Minister Edouard Balladur Feb. 23. He called for the opening of a discussion of monetary reform. The proposals seem to differ significantly from French Agricultural Minister François Guillaume's proposals for a new Marshall Plan for the Third World, and for international parity pricing for food products.

Balladur talks about changing the financial system without referencing the physical economy at all. It would seem that money has some kind of independent existence, in his view.

Balladur detailed the failure of the floating rates system, and announced that the Louvre Accords of Christmas 1986 and February 1987 had brought that experiment to an end. He put forward three options on what to do now. The first involved more of the present "Louvre Accord" cooperation among central banks to support currencies; the second, a world system modeled on the European Monetary System's "basket of

currencies"; the third, the preference of the author, a return to a 19th-century-style imperial gold exchange system, with modernized automatic "enforcement" mechanisms.

None of his technical proposals are especially favorable to the continued existence of the sovereign nation-state. The technical proposals also avoid the question of the political and financial consequences of replacing an existing, if bankrupt, reserve currency, the dollar, with an alternative reserve instrument.

The French minister concludes by calling for a group of wise men to be appointed "to light" the path forward.

Strategic Minerals

De Benedetti completes Belgian takeover

Italian financier Carlo De Benedetti has announced that he now controls 43% of the stock, and has thus effectively taken over, the giant Société Générale de Belgique. On Feb. 24, De Benedetti, who is chairman of Olivetti, visited Brussels to meet with Prime Minister Martens and his economic ministers to discuss his intentions.

Société Générale predates the nation of Belgium, controls 60% of the Belgian economy, and has huge holdings of minerals and lands in former African colonial possessions.

Prior to his announcement, press reports said that his alleged opponent in the takeover bid, a Banque de Suez-led group, controls only 30% of the firm, while a reputed operation by Count Etienne Davignon, former European Community commissioner, to organize small share holders in a "national bloc" to resist the De Benedetti bid, has been abandoned.

Italian and Belgium press reported that, at the beginning of February, the President of Zaire, Mobutu Sese Sekou, visited Brussels for discussions with De Benedetti on the implications for Société Générale's activities in Zaire. Of Zaire's export revenues, 38% comes from tin, 14% from cobalt, and 10% from diamonds, all controlled by Société Générale companies. Mobutu also met

with the board of directors of the Banque de Suez.

In an interview given Feb. 23 to the Milan daily *Il Giornale*, De Benedetti repeated his notorious assertion that world finance will be dominated by a very few large financial groups, and that what he is doing is what all economic groups have to do if they want to survive the financial challenges of the future.

Banking

Texas bank run to spread nationally?

The depositors' panic against Texas's second largest regional bank, the 13th largest U.S. bank, could trigger a "domino" wave of runs by depositors throughout the Southwest, London banking sources say. The First Republic Bank of Dallas, which has large holdings of non-performing oil, real estate, and other loans, is presently under the scrutiny of 65 bank examiners, flown in to pour over its books.

Other European analysts said the whole situation was "too sensitive" to comment on. When asked if this had anything to do with the Super Tuesday primary in Texas, and the ambitions of George Bush in his home state, one bank specialist said, "That is 100% correct."

A "crisis management" team headed by Morgan Stanley is desperately trying to raise funds to keep the bank operating. The bank has reportedly lost \$1.14 billion in deposits since December.

According to senior banking sources, First Republic is inextricably intertwined with the other major Southwest banks in Texas, Oklahoma, and Louisiana, because, since the oil and real estate crisis, these banks have been forced to borrow heavily from one another, after being cut off from the large New York interbank money markets.

All these banks are deemed technically insolvent, and a failure at First Republic would, therefore, probably trigger regional and even national bank panic at this point. A government bailout of the insolvent Dallas bank, would involve an estimated \$4.5

billion to keep its doors open, equalling the amount needed in 1984 to bail out the Continental Illinois. That would trigger a probable new fall in the dollar as the Fed turns on the money spigot.

First Republic, however, took out full-page newspaper ads in 14 Texas cities Feb. 23, to counter media reports that the bank is in trouble. "An Open Letter to Customers of First Republic Bank" says the bank has no plans to merge with another institution, and that deposits are backed by more than \$3 billion in capital.

Bank comptroller Robert Clarke did admit that federal examiners were going over the bank's books, but he said, "The accounts of what has been going on at the bank have been overplayed."

Finance

Ditchley to discuss decline of America

A May 19-21 Ditchley Foundation/Chicago Council on Foreign Relations conference in Wisconsin, on the theme, "The next American President: Foreign Policy Agenda and Issues," will focus, in part, on how to "manage the decline" of American financial and military power in the world, a British insider who will participate said Feb. 22.

"Some people talk of regenerating the U.S. industrially, the kind of talk you hear from Felix Rohatyn, about the U.S. regaining financial independence. Other people talk about the 'managed decline' of the United States. I think the latter is what the subject of the day should be. The United States is over-stretched and under-financed, and the elastic band will break, sooner or later. Of course, the real impact won't hit until 1989. Everybody will smoothe it away until then, but, in 1989, either there will be a retrenchment of military commitments or the economy will bust."

The British delegation to this conference will be led by Lord Windlesham, a graduate of the Benedictine Ampleforth Abbey, and one of several top liberal Britons known informally as "Ampleforth Old Boys."

Briefly

● **AMERICANS** do not believe that the nation's future will improve, for the first time since Ronald Reagan became President, a *New York Times*/CBS poll shows. The *Times* attributes the upsurge in pessimism to dismay about the state of the economy, especially the loss of the country's basic industry. Another cause for pessimism, according to the poll, is the general discontent with the "major" presidential candidates.

● **THE 1929 CRASH** and today's have parallels that are "more terrifyingly close" the more one looks at them, warned Gordon Pepper, a director at Britain's Midland Montagu investment bank. Pepper jolted an audience of economists, politicians, and businessmen, by asserting that "a severe recession" in the United States is inevitable, and that "it will be deeper than any since the war."

● **PAYLOAD SYSTEMS** of Wellesley, Mass. has become the first American firm to contract to have the Soviet Union carry a payload into space orbit. Russian astronauts will conduct the company's protein-crystal experiments on the Mir orbiting space station.

● **ISOLATION** measures have been introduced for AIDS victims in Bavaria, for the first time there or anywhere else in the West. State Secretary Peter Gauweiler said the cases involved people who are sick with AIDS, but who refused to stop acting in ways that would spread it. They are isolated in therapeutic installations and get full medical treatment, he said.

● **BRITAIN'S LARGEST** commercial bank, National Westminster, has announced record trading losses for the year 1987. The October stock market crash and related problems in its brokerage subsidiary, County NatWest, forced the bank to announce a \$203 million group loss.