

Strong U.S. dollar called 'disruptive'

United Press International
NEW YORK — The U.S. dollar is the refuge currency of the world, but most experts believe its high value and the recent volatility in exchange rates have had a disruptive influence on world economies.

"The dollar should not be allowed to shoot off into outer space each time there is a new economic, financial or political shock somewhere in the world," said Scott Pardee, executive vice president at Discount Corp. of New York.

There are two reasons cited by experts for the dollar's strength on foreign exchange markets where multi-million dollar trades determine a currency's value—uncertainty over interest rates and political and economic unrest abroad.

"The U.S. has become the financial refuge of the world," said James Sinclair, who heads a trading firm bearing his name. "We compare our situation to anywhere in the world, including Europe."

"We're politically and econo-

mically sound, we have a strong defense and our Treasury has benefitted from foreign money pouring in from troubled countries," he said.

Interest rates also play a major role in foreign exchange operations.

"Interest rates have a continuous influence on exchange rates and on market expectations," Pardee told the Forex Club meeting in the Netherlands last week. "Unfortunately, both interest rates and exchange rates have been exceedingly volatile."

The bouncing of rates in part reflects Federal Reserve Board policy since late 1979 and continuing uncertainty over their future intentions.

Gary Schlossberg, foreign exchange economist at Wells Fargo Bank of San Francisco, said despite substantially lower rates there is some uncertainty about the outlook and the feeling that at least for the near-term they might back up a bit.

Pardee, who was manager of foreign exchange operations at

the Federal Reserve Bank of New York before joining Discount Corp., said the dollar's recent volatility against major trading currencies has been exceedingly disruptive.

"The exchange rate is an important variable around which many economic decisions are made: production, employment, income, prices at home and abroad," Pardee said. If exchange rates are not in equilibrium, serious distortions can occur.

"It's almost unpatriotic to say that the dollar is overvalued, but its continued strength has caused our market share of world trade to shrink," Schlossberg said. "This is not only eroding profits of our manufacturers, but costing U.S. jobs as well."

Pardee said many factors influence exchange markets, but the volatility is due in large part to the non-intervention policy of the U.S. Treasury since 1981, which he believes has reduced cooperation among major central banks.

EPA report changes argued

United Press International
EL PASO — Former acting Environmental Protection Agency Director John Hernandez said his records indicate changes in a controversial pollution report were made nearly three weeks before he joined the agency May 20, 1981, a newspaper reported Saturday.

The report named Dow Chemical Co. of Midland, Mich., as the primary source of dioxin in two Michigan rivers and one lake. The report was at the heart of the controversy which led to Hernandez' resignation Friday at the request of President Reagan.

In a copyright story in Saturday's El Paso Times, Hernandez said his own records showed changes in the draft report from the Chicago regional EPA office to Washington were made at the agency's headquarters on May 1, 1981.

Hernandez, who took over as acting director March 7 after Anne Burford's resignation as

chief of the agency, said the changes also were made before Dow officials saw the report.

"Somebody's got to put that into perspective," he said. "Virtually all of those changes were done before Dow ever saw it, or I ever saw it." He said he had been unaware of the report's existence until a Canadian newspaper published it June 18, 1981.

The former New Mexico State University engineering dean said he had tried to quit the EPA off and on since Burford resigned, but President Reagan originally asked him to stay on until a new administrator could be named.

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Tax may end gas price dip

United Press International
— Gasoline can be bought for less than \$1-a-gallon in many states, a survey showed Saturday, but a steady drop in prices will likely be cut short April 1 when the new 5 cent tax increase begins.

The tax increase was enacted by Congress late last year as part of Reagan's jobs-creating program funding improvements in roads, bridges and mass transit systems.

George Pastor, executive director of Northern Ohio Petroleum Retailers Association, said the federal tax will be passed on to customers by dealers across the nation because they're selling it practically at cost or at a loss now.

"They're tightening their belts so tight they're selling at prices close to cost now," he said. "If they were to absorb that 5 cents they'd go out of business. How could 100,000 dealers across the nation absorb the \$5.5 billion in taxes that's going to rise?"

Self-service regular gasoline now is purchased for 89

cents-a-gallon in Houston and 89.9 cents in Arizona and in the low-to mid-80s in California. Other states where gasoline can be found for less than \$1 include Georgia, Massachusetts, Michigan, Minnesota, Mississippi, Montana, New York, Oklahoma, Rhode Island, South Carolina, West Virginia and Wyoming.

One Arco station in San Francisco was selling regular gasoline at 96 cents-a-gallon. The owner said he was making only about a 2 cent-per-gallon profit but had a big business.

In addition to paying the new nickel-a-gallon federal tax, West Virginia motorists will pay another 4.7 cents to 4.9 cents-a-gallon state tax.

A Chicago Motor Club spokesman said dealers will deal with the tax increase in different ways.

"They are not required to pass the tax along. Some dealers may increase prices by 5-cents. Some may not raise prices at all. Some may fall in between (raise the pump price from 1 cent to 5 cents)," he said.

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