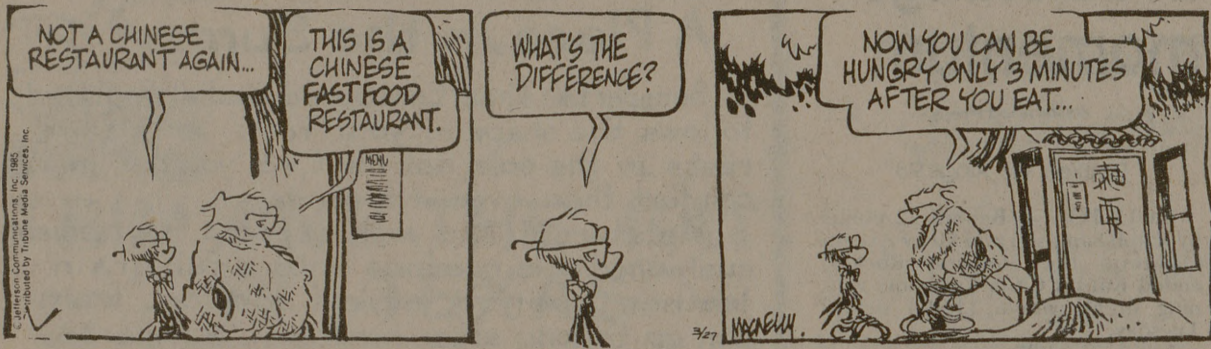


ET CETERA

SHOE

by Jeff MacNelly



Federal Reserve Board

Words affect dollar's value

Associated Press

WASHINGTON — No matter what Federal Reserve Board Chairman Paul A. Volcker says, it is still news. Earlier this month, as he was about to begin a speech to a group of bankers, the television lights came on and Volcker playfully told his audience that "anything I say that's different in nuance or tone from what I've been saying the past week is purely accidental."

He was acknowledging in a lighthearted way his power as an oracle-like figure whose mere words — and the way others interpret those words — can affect financial markets around the world.

The Federal Reserve System was set up in 1913 and functions as the nation's central bank. It determines and conducts U.S. monetary policy and plays a major role in supervising and regulating the banking system.

The Federal Open Market Committee, composed of the seven-member Federal Reserve Board of governors and the presidents of five of the 12 Federal Reserve banks, determines monetary policy but only discloses its decisions weeks after they are made and then only in murky summary.

Thus, financial analysts, brokers, traders and reporters hang on Volcker's every word during public appearances for clues about what the Federal Reserve might be up to.

The problem is that sometimes people hear the same clue but interpret it differently.

In making a semiannual report to Congress on Feb. 20, Volcker told the Senate Banking Committee, "the progressive process of easing reserve positions undertaken in the latter part of 1984 ended."

Bond prices plummeted based on fears that Volcker might have been indicating the Fed was going to tighten credit. The dollar, in turn, soared on foreign currency markets.

Six days later, Volcker gave essentially the same testimony to a House banking subcommittee.

Bond prices jumped, and the dollar fell.

David Jones, an economist with Aubrey G. Lanston & Co., a government securities dealer in New York, describes himself as "a Fed watcher who tries to put the Fed under a microscope to anticipate its next policy shifts."

Broker convicted of oil swindling

Associated Press

HOUSTON — A commodities broker was convicted Tuesday of 17 counts in a 22-count indictment accusing him of carrying out a multi-million-dollar swindle involving 200,000 tons of oil.

Jurors deliberated nine hours before convicting Frederick Soudan, 41, of counts involving wire fraud, perjury, interstate transportation of stolen property, conspiracy to defraud the United States and conspir-

acy to obstruct justice.

As he was chained and led from the courthouse, Soudan said: "Nothing surprises me anymore. For every injustice, there will always be a final justice."

Prosecutors said Soudan made \$4.25 million from the \$56 million scheme, which they claim was part of a conspiracy to steal 1.4 million barrels of oil from European firms and secretly ship the crude to South Africa.

Defense attorney David Berg contended, however, that Soudan was an innocent oil broker who was duped in the deal by a "Greek Mafia."

Berg said the real culprits in the scheme used Soudan as a funnel for their information so his name would be prominent on all the documents found by authorities.

Soudan was accused of stealing 200,000 tons of oil from its Italian owner and ordering it delivered to South Africa on the tanker Salem.

Committee chairman wants changes in tax system laws

Associated Press

WASHINGTON — The chairman of the House Ways and Means Committee said Tuesday he is optimistic that Congress will write a new tax system over the next two years so that "when people enjoy a large profit, by gosh they pay."

As his committee resumed hearings on tax overhaul, Rep. Dan Rostenkowski, D-Ill., said the demand for change is being fed by the growing perception that giant corporations pay little or no tax. "That's when the revolution comes," he said.

"In the long haul, I'm very optimistic about getting legislation passed this Congress, meaning by the end of 1986," Rostenkowski said. And, he added, the chief incentive

will not be the lower tax rates contained in most overhaul plans but the promise that high-income individuals and profitable businesses will have to pay their shares.

Rostenkowski got little argument on his point that the present system is perceived as unfair. Ten members of Congress who have written seven different overhaul plans testified before the committee on their proposals, and all started with the notion that existing tax law is too complicated and unfair.

But there was no unanimity on the meaning of fairness.

"Hundreds of families earning over \$200,000 a year legally pay no taxes at all," said Rep. Richard Gephardt, D-Mo. "Some even make

more than a million dollars and legally pay no taxes."

He and Sen. Bill Bradley, D-N.J., have written a plan that would eliminate or reduce most deductions while cutting tax rates; about 70 percent of Americans would pay at a 15 percent rate.

On the other hand, Rep. Mark Siljander, R-Mich., complained that the present tax system "is grossly inefficient and detrimental to the economy," at least in part because it is based on the notion that the rich should pay a greater share of the earnings to the tax collector.

Siljander is sponsor of a "flat tax" — a plan that, after allowing \$2,000-per-person exemption would tax all income at 10 percent

Court says schools can't bar vocal gay advocates

Associated Press

WASHINGTON — A evenly divided Supreme Court barred Oklahoma public school boards Tuesday from firing teachers who advocate, encourage or promote homosexuality.

The justices, by a 4-4 vote, upheld a federal appeals court ruling that an Oklahoma law allowing such firings violated teachers' free-speech rights.

Such tie votes do not set any national precedent, because it is possible that in some future case the same issue will be decided by all nine justices.

But Tuesday's development means the 10th U.S. Circuit Court of Appeals ruling that threw out the Oklahoma law bars any attempt to draft such a law in other states within that federal judicial circuit — Colorado, Kansas, New Mexico, Utah and Wyoming.

The National Gay Task Force, which had challenged the Oklahoma law in a test case lawsuit against the

Oklahoma City school board, called Tuesday's ruling a key victory.

Spokesman Ron Najman in New York City said the court "has affirmed that gay men and lesbians have the same First Amendment free-speech rights as other Americans."

But Larry Lewis, an attorney for the Oklahoma School Board Association, refused to admit defeat.

"Of course, we'd rather win outright than get a tie," Lewis said. "Since we didn't have a majority on the court against us, we consider that a moral victory."

Lewis said his association would not try to salvage the invalidated law but will "begin efforts to have the law tightened by the Oklahoma Legislature."

Justice Lewis F. Powell, who missed hearing arguments in the Oklahoma case in January because he was recuperating from prostate surgery, did not participate in deciding the case.

Commercial restrictions hurt Mexico

Associated Press

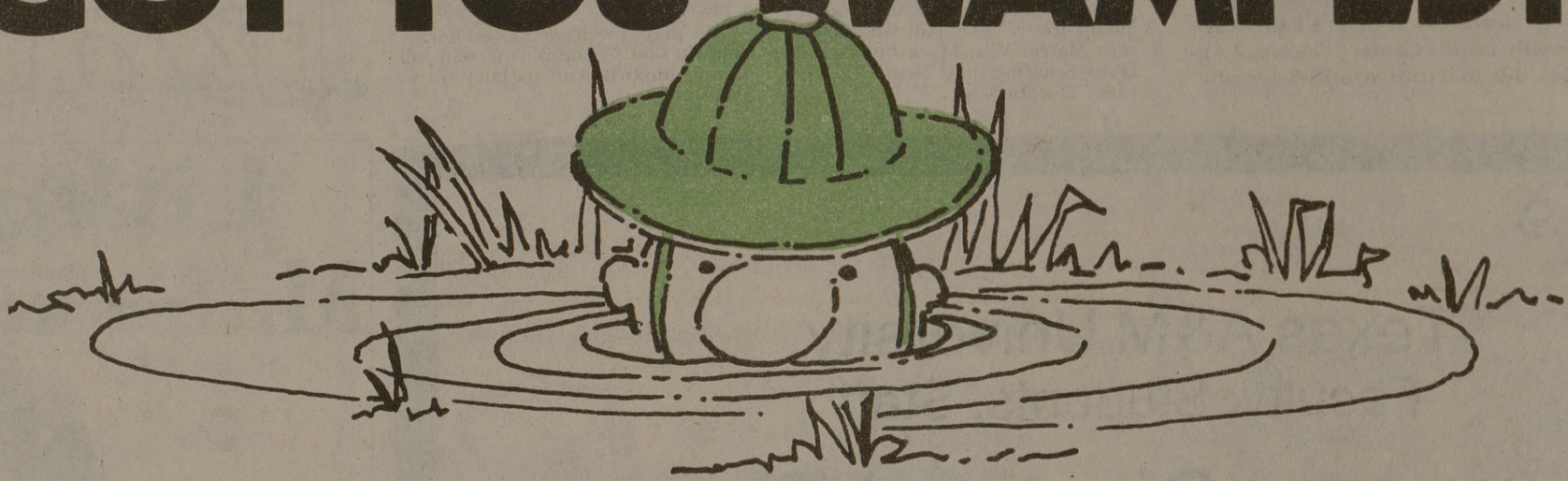
MONTERREY, Mexico — Mexico and the United States must agree on an exchange policy to avoid "a war on commercial restrictions" that threatens the Mexican economy, says the head of an exporters association.

Mexico's decision to halt the importation of certain produce items from the United States in answer to the U.S. ban on citrus imports from Mexico requires immediate talks, said Jose Luis Trevino, president of the Monterrey-based National Foreign Commerce Council's northeast section.

The Mexican government announced over the weekend that it closed the border to U.S. imports of vegetables.

The United States announced in December it had again closed its border to imports of Mexican citrus after high levels of Mexican fruit fly larvae were discovered in tested fruit.

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