Business Briefs

Austerity

U.S. announces massive defense cuts

At a press conference in Washington Feb. 18, U.S. Defense Department comptroller Robert Helm announced how the department intends to reduce defense spending by $33 billion from a year ago, in order to stay within the proposed 1989 budget of $290.8 billion.

The $33 billion in cuts is the level for defense agreed to between the White House and congressional representatives at the "budget summit" talks that occurred in the wake of the Oct. 19 stock market crash.

Some of the proposed Pentagon cuts are:

- Active military personnel will be reduced by 46,000.
- The Strategic Defense Initiative will be cut by $1.7 billion, leaving a total budget of $4.9 billion, and program director "General Abrahamson has been directed to go back and restructure his programs to deal with that."
- The Navy will retire 16 frigates, and the *Poseidon* submarine will not be overhauled as planned, but will be mothballed.
- The Army will retire 2,000 older helicopters.
- The Air Force will reduce two tactical air wings and a reserve air wing.
- Vandenberg Air Force Base's space launch facility will be mothballed, "pending the correction of the Space Shuttle situation."
- Three ASAT missiles already developed will not be produced.

NATO

London paper decries U.S. defense cuts

British-American defense cooperation and the U.S. position in NATO will be adversely affected by the "huge cuts" in U.S. defense spending announced by the Pentagon Feb. 18, the *Times* of London warned on Feb. 17, in anticipation of the announcement. The loss of tens of thousands of soldiers, sailors, and airmen, the paper said, has "implications for troop strengths in Europe and other foreign posts."

"Scores of combat aircraft, hundreds of helicopters, many frigates and perhaps two strategic submarines are likely to be sacrificed."

One possible victim of the cuts will be a collaborative project between Westinghouse and Britain's Airship Industries to build a new aircraft. The project would have resulted in orders totaling several billion dollars.

Another Anglo-U.S. project likely to be canceled, says the *Times*, is the high-frequency anti-jamming shipborne radio project, worth $50 million next year.

Energy

Dixy Lee Ray attacks Dukakis on Seabrook

In a letter to the *Seattle Post-Intelligencer* Feb. 14, former Washington State Gov. Dixy Lee Ray attacked Democratic presidential candidate Michael Dukakis, the governor of Massachusetts, for sabotaging the start-up of the Seabrook nuclear power plant in New Hamsphire. Dr. Ray is a former chairman of the Atomic Energy Commission. The utility that built the Seabrook plant, Public Service of New Hampshire, recently filed for bankruptcy.

The text of her letter reads as follows:

"To The Editor:

"Your coverage of the bankruptcy filing by Public Service of New Hampshire missed the most important point: This is a utility brought to its knees by the arbitrary action of a governor of another state, Michael Dukakis of Massachusetts.

"The Seabrook Nuclear Power Plant has not received a license largely because Dukakis has refused to allow Massachusetts to take part in the emergency planning required by federal regulators. If he had cooperated, the plant would be operating today; it would be reducing our oil imports by 10 million barrels a year; the cost of the plant would be millions of dollars less; and Public Service of New Hampshire would be solvent, if not prosperous.

"A secure supply of electricity is vital to the economy of New England. Its eight nuclear plants avoid the burning of over 50 million barrels of oil every year, and supply New England with one-third of its electricity. Nuclear plants have been operating safely there since 1960. Electric power demand in New England is increasing faster than the national average, and without nuclear energy the only real options are more imported oil and Canadian electricity. Both hurt our balance of payments and each has a security of supply risk.

"It is distressing than an elected official—one who is presenting himself as a presidential candidate—would not only drive a company into Chapter 11, but more important, take such a dangerous attitude toward our need for energy and economic security.

"Signed: Dixy Lee Ray, Scientists and Engineers for Secure Energy."

Euthanasia

Living wills pushed in Britain

Ian Kennedy, professor of law and medical ethics at King's College, London, is drafting legislation to make living wills available to everybody in Britain. Under "living wills," a patient gives medical authorities the right to "pull the plug" or otherwise murder them should they be unable to take that decision at the time authorities deem appropriate to save money.

Kennedy, a collaborator of the Voluntary Euthanasia Society, argues that two factors are making euthanasia more generally acceptable to Western populations: demographic changes, with a higher percentage of aged, and "limited resources."

One Voluntary Euthanasia director close to Kennedy commented, "With advances in medicine, the amount one could spend on keeping people alive is infinite. If we chose to keep alive every handicapped and every seriously ill person, we would have nothing left, and we would have to, God forbid, ha ha, cut our defense budget."

Another leading figure in the Voluntary Euthanasia Society said in a private discussion that an attack on "the Judeo-Christian idea that human life is sacred" is fundamental to winning philosophical support for euthanasia today. She pointed to two books authored recently by an Australian, Helga Kuehse, who attacks both those who want to keep the "grossly handicapped alive at all costs," and those who insist without compromise on the "sanctity of life principle."

Asked what kind of euthanasia she favors, this activist reported, "Logically, you can't distinguish between passive and active euthanasia. After all, once you've decided to withhold treatment, you've made an active decision, speaking logically."

The Recovery

Housing starts, bank profits way down

U.S. housing starts were way down in January, lower than they have been in more than five years, according to a Department of Commerce report.

Housing starts fell 1.9% in January, after a steep 15.5% decline in December.

The Federal Reserve, however, has come up with some rosy new figures to juxtapose to the Commerce Department's. It says that the decline in the dollar has caused industrial production for export to continue to rise—0.2% in January, 0.4% in November and December, according to whoever kooks up such figures in the Fed basement.

In the past, *EIR* investigation has established, by direct contact with the industries involved, that no such growth in production is occurring.

Meanwhile, the nation's largest banks had the worst year since the depression, in part because they were forced to create large loan-loss reserves against bad foreign debts. The picture is actually even worse, because even those reserves fail to cover about two-thirds of what the major financial institutions stand a good chance of losing from their foreign debt holdings.

J.P Morgan suffered a 92% drop in per-share net income, from $1.18 per share in 1986 to 9¢ per share in 1987.

Foreign Aid

Japan to aid Vietnam after typhoon

The government of Japan has announced that it will offer Vietnam emergency aid in the wake of a devasting typhoon. Japanese officials specified that they would offer Vietnam $150,000 in cash and medicine worth 15 million yen to help the country recover from the typhoon.

The typhoon struck Vietnam in November, leaving 101 dead and producing food shortages and a health emergency.

An official of Japan's International Cooperation Council, said the announcement, will personally deliver the medicine to Vietnam.

Agriculture

EC program disaster for Europe's farmers

Europe's already depressed agricultural sector will be badly hit by the terms of a European Community "summit" accord reached in Brussels, to extend through 1992.

According to informed sources, a ceiling has been set on cereal harvests of 160 million tons. This is likely to be exceeded this year, which will automatically trigger a 3% tax on cereals, a 3% cut in EC price supports paid to farmers, and an effective 1.5% additional price cut that will result from EC intervention purchasing.

The Brussels summit, under pressure from the international grain cartel, also agreed to price penalties on EC domestic production of rapeseed and other competitors of the soya bean import market controlled by Cargill and Archer Daniels Midland. This will mean an 18% reduction in rapeseed prices this year.

Briefly

● **HUNGARY** is expected to sign a letter of intent with the International Monetary Fund before the end of February, in exchange for a $350 million standby loan. According to the *Financial Times* of London, the Hungarian central bank "hopes the loan will reassure Western creditors and demonstrate that Hungary's three-year austerity programme has the full backing of the IMF." Hungary recently introduced a value-added tax and personal income tax, the only such taxes in a Soviet bloc country.

● **THE BRITISH ARMY** of the Rhine (BAOR) should be cut back for budgetary reasons, according to a report by the National Audit Office in London. Budget cuts would begin with the laying-off of 5,000 German civilian workers, whose jobs are to be occupied by lowered-paid relatives of soldiers.

● **VATICAN RADIO** broadcast a 15-minute special feature on the Third World "Marshall Plan" proposal of French Agriculture Minister François Guillaume the morning of Feb. 15. The program was a strong endorsement of the plan and underlined the urgency of economic development, particularly in Africa. The radio also reported that the Japanese agreed with Guillaume's idea and would be ready to join in its realization.

● **INDIA** and the Soviet Union signed an accord in Moscow Feb. 10 for joint naval construction. After meeting with Soviet officials including Mikhail Gorbachov, K.C. Pant, the Indian defense minister, toured Soviet military facilities in Tbilisi, Tashkent, and Sevastopol.

● **BRIDGESTONE** Tire of Japan plans to acquire 75% of Firestone, the third-largest U.S. tiremaker, for $1 billion. Analysts believe that this will be the largest investment by a Japanese company in a U.S. manufacturing firm ever.