

Business Briefs

Credit

Democrats' 'economist' says: Loot population

The Democratic Party's economic "expert" has authored a *New York Times* commentary which warns that foreign creditors will soon cease supporting the United States, and that the "recession" faced in 1981-82 will therefore be nothing compared to the "recession" faced by the next President. His recommendation is: austerity, austerity, austerity.

Under the headline, "A Briefing for the Next President," Lester C. Thurow said that it is likely that foreign investors will cease keeping the U.S. afloat at the rate of \$200 billion a year. The next President will have to find ways to make ends meet.

He recommends a gas tax and a move to "a high savings, high investment society."

For non-economists, "high savings" means high interest rates, and, therefore, low investment. "High investment," on the other hand, means drastically reduced consumption and standards of living for the American people. In other words, sustain the banking system by cannibalizing the country.

Consumption, Thurow says, should be held at least 1% below GNP increases. He, however, wants this done in a "progressive" manner; "the rich" will pay more.

Inflation

Cheese prices break record

The largest one-day price rise in U.S. wholesale cheese took place in trading Aug. 19 at the Green Bay Cheese Exchange in Wisconsin, the center of the U.S. dairy industry. The price for barrel cheese, a wholesale commodity, rose by 4.75¢ a pound in one day.

The wholesale increase will translate into an increase in the price paid to dairy farmers to \$12.42 per hundredweight (cwt) of fluid milk—still only about half the parity price level of \$24/cwt.

To produce one pound of cheese requires about 10 pounds of fluid milk; therefore, there will be an approximate 47¢ rise in the price of milk used to produce one pound of cheese.

Milk cows have expired in Wisconsin dairy herds at the rate of one per hundred head, because of the extreme heat. The total dairy herd in Wisconsin has dropped 33,000 animals from July 1987 to July of this year, and now totals 1.752 million cows. The state's rendering plants have reported receiving large numbers of carcasses, which are being processed for pet food.

Meanwhile, a record volume of Wisconsin milk is being trucked to the country's Southeast to meet school needs. In mid-August, 92 semi-trailer loads—4.5 million pounds—of fluid milk left Wisconsin, destined for southern Illinois, Florida, Georgia, and South Carolina. Milk is also being shipped to the Southeast from Michigan and other northern points.

These amounts represent an all-time high volume. The need results from the decline in Southeastern milk output under federal dairy reduction programs, depressed farming conditions, and drought. For several years, the entire Southeast has been a fluid-milk deficit region, and the situation has grown acute as school openings approach in September.

Energy

Midwest industries facing blackouts

An inadequate supply of electric power in the American Midwest may result in temporary cutoffs to large industrial customers, according to a spokesman for one of the region's largest utilities, American Electric Power Company.

"It's getting close to the point where we're going to have to interrupt those contracts to have enough electricity for our residential and commercial customers," a utility spokesman said in mid-August.

Contracts with industrial customers include agreements "to be interrupted in peak winter and summer periods." Total demand reached a new record of 17,164 megawatts

on Aug. 17, exceeding last summer's peak by about 10%.

Agriculture

Maryland is fast losing its farms

A Department of Agriculture report issued in early August states that the State of Maryland has lost 1,000 farms in the past two years, and that 350,000 acres have been taken out of farming in the state since 1984.

There are now 16,000 farms in the state, and total acreage is down to 2.35 million from 2.8 million in 1981.

According to Wayne A. Cawley, Jr., State Agriculture Secretary, one in seven people in Maryland are in farm or farm-related employment.

He warned that the elimination of farms has a tremendous impact both on the availability of food, and on the state's economy. As farms close, local implement dealers and other support services shut down, making it more difficult for farmers to operate.

Poor profits to farmers, as well as expansion of housing and other development, were cited as chief reasons for farm loss.

Farmers under financial pressure are selling their land to developers, often for \$10,000 an acre, far higher than the \$2,000 per acre price prevailing for farmland.

Europe 1992

German coal facing deregulation before 1992

The anti-trust agency of the West German government appears to be moving toward adoption of a policy urged upon it by the European Commission, the "deregulation" of the German coal industry. Deregulation, which primarily means elimination of price subsidies, will cause massive bankruptcy and contraction in the industry for which Germany's Ruhr region is famous.

The bureau's director, Werner Kartte,

Briefly

● **TAIWAN'S** Securities and Exchange Commission cut the permitted level of margin loans from brokerage houses to their clients by 10%, effective Aug. 27. The move was described by the *New York Times* as "aimed at damping investor enthusiasm." It worked: The stock market index dropped sharply.

● **ARGENTINA'S** highly fertile *pampa húmeda* region is suffering an unprecedented drought, press reports there say. Since March, it has rained an average of 3 millimeters per month, as compared to a month-of-July record of 72 millimeters. The National Meteorological Service is calling this one of the most prolonged droughts of the century, with severe effects on food output.

● **PRATT & WHITNEY**, the aerospace firm, will lay off 303 salaried workers by Aug. 31 at its jet engine plant in Palm Beach, Florida. In July, the firm announced the elimination of 1,009 salaried jobs at its main facility in East Hartford, Connecticut. Pratt & Whitney's plant in Palm Beach has plans to eliminate 600 more jobs.

● **DREXEL BURNHAM Lambert** is orchestrating the emergence from two years of bankruptcy of one of the largest shipbuilding and tugboat companies on the West Coast, under the ownership of its union. Unimar International, Inc., the company's new name, once employed 1,500 workers; 400 remain. Drexel Burnham will control 5% of the Washington state firm's stock, and receive an additional 5% after a year.

● **BANK FAILURES** in Texas are now so frequent that the *Fort Worth Star-Telegram* has started a new contest: To win, you match the new name of a failed bank with its name before it failed, or pick the new name that a bank being rescued will adopt. The paper promises a grand prize "more valuable than a certificate of stock from River Plaza National Bank (or just about any other bank, for that matter)."

informed the state-owned mining complex, Ruhr Coal Corp., and the government in Bonn that he is investigating whether "the coal price guarantee system" is "in conflict with anti-trust and European laws." Apparently, the anti-trust bureau doesn't want to wait until the European Community treaty governing the industry expires in 1995, but intends to have it dumped before the liberalization of 1992.

Under the "Single Europe 1992" act adopted by the European Commission, all economic barriers between the 12 member-nations of the European Community will be eliminated that year.

The deregulation would represent a windfall for the Swedish and South African coal firms, which could flood Germany's market with cheap imported coal. The German deregulation is also being demanded by the state-owned French EDF utility, which hopes to sell electricity from the French nuclear power sector to German users after the 1992 liberalization. Upon a special motion by the French government, the European Commission in Brussels recently urged the German government to "deregulate in time."

Biological Holocaust

Worst may be yet to come in Sudan

"The worst is still to come" in Sudan, according to an aid worker quoted in the Paris daily *Le Monde*. "We fear there will be more rain, and the Nile could rise for another two months."

The danger of epidemics will be greatest once the water level starts to fall, according to experts quoted. There are already rumors that the whole country will be put in quarantine, because of the threat of cholera and typhoid epidemics.

The head of the local Red Crescent organization is quoted saying, "What we have experienced in the past is nothing compared to the disaster we are living through today. Out of Khartoum's 2.5 million inhabitants, about one million have been seriously affected by the floods. More than 500,000 have no shelter."

The worst situation is in the north of the

country, where more than 100 square kilometers of land have been totally inundated. No details are known on the loss of life there.

Science

Reagan hails space funding legislation

President Reagan has placed emphasis on the aspect of a new appropriations bill that will provide funding for the nation's space programs.

The President signed the \$48.5 billion appropriations bill the weekend of Aug. 20. The bill includes \$900 million for space programs, part of which will fund the development of a manned space station.

"The space station will advance the frontiers of scientific knowledge and strengthen cooperation in space among the United States and its allies. . . . The act also provides important funding needed to restore the nation's space shuttle capability," the President said.

Of the \$900 million, however, \$515 million is being withheld until May to allow the next President to determine priorities.

Commodities

Hunt brothers found guilty of trust activity

A federal jury in Manhattan ruled on Aug. 19 that the Hunt brothers of Dallas conspired to corner the world silver market in 1979 and 1980.

The three brothers were ordered to pay \$130 million in damages to the Peruvian government-owned Minpeco S.A., which had sued the Hunts for losses it sustained because of their manipulation of the silver market.

Merrill Lynch and E.F. Hutton, which had advised the Peruvian firm to make the investments, had agreed to pay the company \$64 million in damages prior to the lawsuit.

The Hunts are already in grave financial difficulty, and face more lawsuits over the same matter.