

Business Briefs

Markets

Control must be tighter, says insider

"At some point soon, the U.S. authorities must move to suspend financial market operations," insisted a European banking representative with close ties to Switzerland and Britain.

"I suspect what they will do is simply impose a scaled-up version of the Brady 'circuit-breakers' to restrict the range of trading each day. This I take as the meaning of the 'leak' by Brady's office a few days ago about a plan to bring the Chicago commodity trading under a centralized regulatory umbrella of the Securities and Exchange Commission. If they do that, let's say the S&L crisis or what were to explode. Then the new circuit breakers would limit the market reaction to, say, only a 10 point per day variation," he said.

"It would be more in the direction," he stressed, "of how certain continental European stock trading is done, by 'price setting' each day for each stock, rather than the present continuous trading in New York. The effect of that kind of blatant management would be to discourage foreign and domestic investors from the stock market, but that could draw them into the U.S. government bond market which would build support for financing the huge federal deficits. I see it as a kind of repeat of what we saw in 1946-50 under the Clement Atlee Labour regime when Labour socialized a bankrupt British economy."

Finance

Italian minister warns of imminent blowout

Italian Treasury Minister Guido Carli warned of an imminent global financial explosion in a speech on March 16 at an Italian Christian Democratic Party four-day policy seminar in Montecatini, Italy.

The main threat comes from instability in the Japanese markets, Carli said. He claimed that Japan was "threatened by a financial crisis of unpredictable dimensions," particularly if

the Japanese Central Bank raised interest rates. Carli warned that "instability in the international financial markets could explode at any moment."

The Bank of Japan raised the discount rate a full percentage point on March 20.

Consumption

Analysis shows U.S. living standard falling

The argument of economists and policymakers that American consumption growth is outstripping growth in output, necessitating austerity, is shown to be fallacious by analysis.

The portion of Gross National Product represented by personal consumption has risen from 62.8% in 1980 to 65.3% in 1987; but the determining variable in that ratio is not the growth of consumer voracity, but the relative stagnation of output of goods and services. In the 1980s, personal consumption increased an annual average 3.2%; in the 1970s, 3.0%; in the 1960s, 4.3%—no dramatic rise. But production of goods and services over the same period dropped off steadily, from 4.3% annual growth in the 1960s, to 3.1% in the 1970s, to 2.6% in the 1980s through 1987.

If GNP growth in the 1980s had maintained the 1960s pace, the U.S. would today produce more than it consumes, and likely have a trade surplus. Even if the 1980s growth had been at the less rapid 1970s rate, the U.S. would be close to a trade surplus.

Space

Japan puts craft into lunar orbit

Japan became the third nation to send a craft into lunar orbit on March 19, when its Hagoromo spacecraft swung by the Moon at a distance of 10,000 miles.

After a five and a half week journey, during which scientists fine-tuned the craft's trajectory, Hagoromo moved into a tight lunar

orbit. A larger, mother spacecraft, which had jettisoned Hagoromo 30 minutes earlier, entered a larger orbit around the Earth.

"We've taken one step forward toward planetary missions," said Yasunori Matogawa, an associate professor at the government's Institute of Space and Astronautical Science (ISAS).

Demography

U.S. youth at most risk in advanced sector

Children in the United States are more at risk for a number of social, economic, and health problems than children in the world's other developed nations, according to a report prepared by the Census Bureau for the House Select Committee on Children, Youth, and Families, the *Washington Post* reported March 19.

The greatest disparities between the U.S. and other industrialized countries were in the number of children affected by divorce, youth homicide, and the number of children living in poverty. The U.S. and Australia have the highest child poverty rate among the world's industrial nations.

Research and Development

Japanese set up international program

The Japanese intend to set up and invest \$600 million in an international program to promote research and development for "intelligent manufacturing systems," and are looking to the Americans and Europeans to contribute \$200 million each. The Society of Manufacturing Engineers will serve as the North American secretariat for this 10-year program, it was announced Feb. 2 in Washington.

The program's objectives are to conceive and develop state-of-the-art, compatible information and communications technology for high-grade, intelligent manufacturing control and processing equipment. It is envisioned that

Briefly

manufacturing systems can be developed that will facilitate the interaction of people and intelligent machines across entire manufacturing operations and sovereign borders.

Prof. Dr. Hiroyuki Yoshikawa, chairman of the Japanese Committee on Joint International research Programs said, "It is our desire to work with European and American groups to develop revolutionary manufacturing systems that will help assure a prosperous, mutually beneficial tomorrow for all. . . . It is becoming important to develop manufacturing technologies that may be used by any nation, in an effort to foster a healthy global manufacturing environment."

Environment

'Killer trees' found to be worst polluters

Trees have been found to be the worst polluters, according to three recent scientific studies.

According to William Chameides, who led a six-year study at the Georgia Institute of Technology, natural hydrocarbons from trees and soils—not auto and industrial emissions—are the most important source of urban smog. Chameides' conclusions mean that the "clean air" regulations now proposed will do nothing—at a yearly cost of between \$145 and \$195 billion (see *EIR*, March 16, 1990).

Chameides says that in the early 1980s his group noticed that levels of ozone pollution in Atlanta had increased, despite a reduction of more than 40% in the emissions of pollutants. This anomaly triggered a search for an explanation for the "missing link," and led Chameides and his associates to "barking up the right tree," he said. Chameides and his team spent years putting huge plastic bags over trees and chemically analyzing the trapped gases. The trees yielded vast amounts of highly reactive hydrocarbons. The pollutant yield from the trees varies with latitude and species; biogenic emissions are higher in the South, and oak trees have proven to be the most prolific polluters in Georgia. These natural hydrocarbons are also disproportionately efficient in producing ozone, a result confirmed

in multiple studies with smog chambers.

When ozone levels broke the Environmental Protection Agency standards for severe air pollution, it was also shown that what the EPA equipment measured was "pure mountain air" that had been blown into the city by prevailing winds. Rural stations recorded the highest levels of "urban air pollution." Similar results are reported in Baton Rouge, Louisiana and in the Tampa/St. Petersburg area in Florida.

The EPA is upset with these studies, because "they imply that a major element in U.S. environmental policy may have been predicated upon faulty scientific analysis," according to *Environment Week*, which quoted EPA researcher Basil Dimitriadis, who warns that "if Dr. Chameides' quantifications are correct, then controlling anthropogenic hydrocarbon emissions is not effective in controlling ozone."

Small Business

Hiring drops sharply for last quarter of '89

Small business hiring in the United States dropped sharply in the last quarter of 1989, and threatens to go lower this quarter, according to a recent survey by the National Federation of Independent Business the March 16 *Wall Street Journal* reported.

Approximately 12% of small business increased employment, while 18% decreased employment. Comparable figures for the third quarter of 1988 were 17% and 15%, respectively. The productive sectors were hit the hardest. Construction had the worst fourth quarter, with 30% of small construction firms cutting jobs. This was followed by drops in: manufacturing—19%; agriculture—18%; services—17%; retail—16%; finance—11%.

From 1982-86, companies with fewer than 100 workers were responsible for 51.5% of new private-sector jobs, although these firms comprised only 35% of total employment. By contrast, since 1982, employment in the Fortune 500 companies fell 18.5%, from 15.6 million to 12.7 million.

● **JONATHAN MANN** resigned as head of the World Health Organization AIDS program on March 16. "I have come to the conclusion that there is a great variance between our positions on a series of issues which I consider critical for the global AIDS strategy," Mann wrote WHO Director General Hiroshi Nakajima.

● **FUJI BANK**, Japan's third-largest, is investing heavily in Eastern Europe and Germany. Toru Kusakawa, the chairman of the board of Fuji, said in Frankfurt March 13, "The geopolitical environment may well lead us into a policy of concentrating our operations more and more in and around Germany."

● **THE PROPORTION** of the U.S. population of Afro-Americans under 15 years old has fallen from 38% to 27.2% since 1960, and the overall proportion of U.S. youth under 15 fell from 31% in 1960 to 21.6% in 1986.

● **A TOTAL BAN** of CFCs by the year 2000 was agreed upon in Geneva, Switzerland on March 13, and will be adopted in June when the ministers of about 50 nations meet in London to draft an international treaty. That treaty will supersede the 1987 Montreal Protocol, which stipulates a 50% cut before 1999.

● **MORE THAN HALF** of Vietnamese children under five and 21.7% of unborn babies suffer from malnutrition, and adolescents are 6-8 inches shorter and weigh 22-33 pounds less than their peers in the developed countries, researchers reported, according to the Communist Party daily *Nhan Dan*.

● **HUNGARY'S RAILROADS** will be snarled by the Soviet troop pullout which will require 80% of all Hungarian railcars over the next 18 months, according to Piroška Apro, deputy minister of the Hungarian Ministry of Trade, the *Journal of Commerce* reported March 19.