

# Business Briefs

## Municipal Crisis

### Philadelphia unions to buy city junk bonds

Philadelphia's unions may bail the city out of its budget crisis by buying municipals which are presently rated at "below investment grade," the designation for junk bonds.

By a vote of 11-6, the Philadelphia City Council has authorized the municipal pension board to lend money to the cash-strapped city by purchasing its bonds. Notes issued by Philadelphia, which is in a nightmarish budget crisis and has the lowest bond rating of any major city in the country, would normally be unacceptable to the retirement fund system, since pension fund managers are legally bound to make their investment decisions by very conservative standards that stress prudence and risk-avoidance.

The city unions are divided over the issue. Firefighters are committed to fight the new ordinance in court, while two councils of the American Federation of State, County and Municipal Employees (AFSCME) supported the enabling legislation, although they are undecided about support for actual purchase of the bonds.

## Industry

### 'Post-industrial myth' attacked in France

Seven of France's leading industrial spokesmen have issued an attack on "post-industrial society" policies, attributing the collapse of the British and American economies to their pursuit.

The attack appeared in the Nov. 13 *Le Figaro*, under the headline, "The New industrial imperative," with the subheadlines, "The myth of the post-industrial society," "Renaissance of the 'real' economy," and "Our efforts and our results are insufficient." It is signed by the presidents of seven industrial federations—the chemical industry, machine tools, textiles, metallurgy and mining, agro-industry, auto makers, and electric and electronics.

They write, "We want to denounce the myth of the 'post-industrial' society, which, for 20 years, has been a powerful factor for the demobilization of energies to the detriment of industry." A new boost must be given to industry in France, they say, especially as "the 20th century has been the century of industry," and industry has been "the instrument of progress, capable of assuring to people more security, more well-being, and more independence."

It continues, "Today, the countries that find themselves most committed to the 'post-industrial' path, are in economic decline: the U.S.A. and Great Britain. Conversely, those who have made industry a national priority dominate the world economy: Japan and Germany."

The article was written in preparation for a Nov. 14 Paris convention on "The New Industrial Imperative."

## State Budgets

### Massachusetts counties sue state for unpaid rent

Twelve of the state's 13 counties have banded together to sue the state over a claim for \$15 million in rents due for use of county-owned courthouses. The state has replied with a compromise offer of \$7.5 million, but says it cannot afford to pay the full amount.

County officials have already cut back on maintenance expenses in many courthouses. Without full payment of rental fees, some counties will become insolvent in January or February, said Paul R. DeRensis, the attorney for the 12 counties. The rental fees make up a large portion of the total revenues collected by the counties, he said.

## Environmentalism

### Small companies target of new regulations

Amendments to the U.S. Clean Air Act, the renewal of the Clean Water Act next year, and

the updating of the federal toxic waste law, will put more of the emphasis of "pollution control" on small businesses, the *Wall Street Journal* reported Nov. 13. The measure of the burden is quite dramatic:

- The International Fabric Care Institute reports that non-polluting dry-cleaning equipment costs between \$30-40,000 per machine. Adding control devices to existing equipment costs \$8,000 per unit.

- The Printing Industries of America reports that small commercial printers, which have never been regulated before, will need permits under the new Clean Air law, and firms may have to spend \$15-20,000 per year to continuously monitor their emissions.

- The American Furniture Manufacturers Association says a factory with \$11 million in sales could face at least \$3 million in new capital costs for pollution-control systems and operating costs.

- In California, which is the "pace setter" for state-mandated environmental regulations, the Los Angeles South Coast Air Quality Management District now monitors 67,000 small business, watching violations in activities such as the charcoal grills used by restaurants.

Unlike the Fortune 500-size companies in steel, chemicals, and electric utilities which were the environmentalists' targets over the past two decades, little companies which can afford neither to pay fines nor meet the new standards will simply be driven out of business.

## Finance

### BIS says Gulf crisis threatens world economy

A new Bank for International Settlements report warns of a danger to the world financial system posed by the current crisis in the Persian Gulf. The Basel, Switzerland-based central bank of central banks, states, "Events in the Gulf could have serious repercussions on the world economy and the stability of the international financial system."

The report cites a "cumulative interaction" between an economic environment worsened by the surge of oil prices, and a continuing con-

straint on the ability of banks to lend at a time of high demand for credit. The report echoes BIS general manager Alexandre Lamfalussy's warning in October of an international "credit crunch."

According to the report, there is "some evidence of a slowdown in the underlying growth of international bank lending."

## **Dope, Inc.**

### **Europe facing cocaine epidemic**

"Illegal exports of Latin American cocaine to Europe have jumped sharply this year, and some experts estimate they are running at almost twice their 1989 level," reports the Nov. 16 *Wall Street Journal*. The finding echoes the report in the Nov. 9 *EIR*.

"According to U.S. narcotics officials and Latin Americans familiar with the cocaine trade, overproduction of cocaine leaf and a stagnant U.S. market have caused a major export drive to Europe. U.S. experts estimate that Europe consumed about 90 tons of cocaine last year. Extrapolating from seizures in the first nine months of this year, they forecast the 1990 figure at between 160 and 180 tons.

"The Europeans are where we were 10 years ago," said a U.S. Drug Enforcement Administration official. "They are facing a cocaine epidemic."

The DEA official noted that drug exporters weren't confining themselves to Western Europe. "They are also looking at Eastern Europe, which is virgin territory for cocaine."

## **The Budget**

### **Deficit a symptom, not the cause**

"The budget deficit is not the cause of our ailing economy, it is a symptom," wrote former U.S. Undersecretary of Commerce Robert Ortner in

the Nov. 18 *New York Times*. "By focusing on the deficit, our leaders found political accommodation, but they did not begin to address the economy's actual short- or long-term problems, let alone solve them. In fact, the budget agreement could actually make our economic situation worse.

"The United States has already entered its ninth postwar recession. Cutting spending or raising taxes—or both—will only slow the economy still more. Fiscal tightening at this time should be deemed a political felony—reckless endangerment of the economy."

Ortner noted, "The reason Japan outstrips us in growth is that it allocates a much larger share of its domestic output to research and development and to capital spending than we do."

"Rather than concern itself with cutting the deficit," he said, "Congress should have reinstated the Investment Tax Credit."

## **Trade**

### **Trouble ahead for shipments to U.S.S.R.**

There could be a drop of as much as 60% in the trade from the former East Germany to the Soviet Union, warns the Berlin Institute for Applied Economics Research.

The institute warns of a dramatic collapse of industrial exports to the East, and a resulting rise in unemployment in the eastern part of Germany, if present trade flows to the U.S.S.R., which will be fully on a hard currency basis as of Jan. 1, 1991, are not addressed urgently by the German government. The institute estimates that unemployment levels could reach 2.3 million next year in the east zone. Sectors that will be hardest hit if present trends continue, they estimate, will be shipbuilding, electrical equipment, chemicals, and machinery.

The institute says that urgent measures from the German government are required to ensure that the present exports from east German firms to the U.S.S.R. do not collapse in the next months and aggravate already serious economic problems in both regions.

● **THE PHILIPPINES** Senate is expected to call for a review of the new economic program, in an attempt by the majority of the 23 senators who advocate unilateral action on the foreign debt to detail the new program, according to the Bangkok daily *The Nation* of Nov 23. Sen. Alberto Romulo, a firm proponent of repudiating the country's \$27 billion foreign debt, "said the new program raising oil prices and taxes would hurt the poor" in his call for a Senate review.

● **PERUVIAN PRESIDENT** Alberto Fujimori announced that his "anti-drug" plan, unveiled Nov. 16, will be advised by the U.S. State Department's former undersecretary of narcotics affairs, Ann Wroblewski, which some say signifies acceptance of the State Department's "anti-drug" policy for Peru, based on bringing in U.S. Special Forces and other military personnel.

● **JAPAN'S** Toyohiro Akiyama will spend about six days aboard the Soviet space station *Mir* after a Dec. 2 launch, becoming the first journalist in space. He is deputy news director of the Tokyo Broadcasting System (TBS). The Japanese are paying the Russians \$11 million for Akiyama's mission.

● **BRITAIN** is now suffering the largest drop in industrial output in ten years, the BBC reported Nov. 19. From July to September, industrial output was down 1%, a result that was "even worse than expected," according to BBC's economics correspondent.

● **THE UNIVERSITY** of Michigan's regular survey shows consumer confidence over the last three months in the most rapid decline in at least 44 years. In October, 71% of Americans believed that bad economic times are ahead, compared to 42% in July, and 29% a year ago. Pessimism is growing in all regions of the country and among all population groups.