

Business Briefs

Industry

Germans debate Japanese model for planning

The debate over a "German MITI" has been taken up again at a forum of the German business association BDI in Cologne.

Recently, Konrad Seitz, a senior official of the Bonn Economics Ministry, proposed that Germany adopt the Japanese economic planning instrument called the Ministry of International Trade and Industry (MITI). The director general of the Stuttgart electronics firm SEL, Gerhard Zeidler, similarly proposed coordinated action by the state, industry, and the scientific community to put Germany on a competitive technological standard vis-à-vis Japan and the United States.

Zeidler pointed to the enormous opportunity presented by a market in the East with more than a half billion people: "Not to organize a transfer of technology with eastern Europe would be a historic mistake. We should not leave this to Japan or the U.S."

With his call for a "West-East Technology Community," Zeidler rejected the warnings by the director of the McKinsey consulting firm Henzler, who had urged the Europeans not to engage heavily in the Eastern market before it has closed the technological gap with Japan and the U.S.

Zeidler insisted that the ability to develop the high-tech industries is there: "All we lack is the political drive."

Defense

Appeals court hears Newport News case

Fundamental issues regarding U.S. industrial and military preparedness were raised Dec. 4 before the U.S. Fourth Circuit Court of Appeals, which is hearing arguments about whether the Newport News Shipbuilding and Dry Dock Co. based in Virginia or the Connecticut-based Electric Boat Co. should be awarded a contract to build the second Seawolf nuclear submarine. Newport News lawyer Gregory N. Stillman argued, for example, that at issue are congressional mandates to sustain

a viable and competitive shipbuilding industry through "industrial mobilization."

The U.S. Navy and Electric Boat appealed U.S. District Judge Robert Doumar's July 31 decision, that in awarding the contract to Electric Boat the government had violated its policy of preserving the ability of more than one shipyard to build a nuclear attack submarine.

Newport News Shipbuilding and Dry Dock Co., which has already been hurt by the slowdown of contract work, is asking the appeals court to overrule the objections of the Navy and the lower court by ruling that the contract should be awarded to the Virginia yard. Fourth Circuit Judge Kenneth K. Hall stated, however, "When the war is over, you quit building the ships," and suggested there may not be enough new submarines built to sustain two yards.

Depression

Rohatyn says depression could bring fascism

Economic depression could bring fascism, admitted Felix Rohatyn, the president of Lazard Frères in New York, in an interview with the Italian newspaper *Corriere della Sera* on Dec. 1. Rohatyn was in Rome to contact political and economic leaders on behalf of Mario Cuomo's presidential ambitions.

"There will not be a double recession, simply because we never came out of the first. . . . The debt which is suffocating America is becoming a world problem. There is no easy solution for the debt. It is not enough to cut it, because to reduce the debt in the U.S.A. one must increase the revenues, and they are produced by economic growth. I do not want to finance subsidies but investments. This country is now in ruins: bridges, streets, schools are collapsing. The U.S.A. is facing all this with a program of \$150 billion over five years, while Taiwan alone has a program of \$600 billion."

Rohatyn defended the role and the activity of the banks, and blamed government policy in the 1980s as the chief cause of the debt explosion. "Bush blames the banks because the truth is unpopular, while hitting the banks is popular," Rohatyn commented. He also suggested copying President Hoover's proposal for the "Reconstruction Finance Corporation"

of the 1930s.

Asked if he fears for the future of democracy in a situation of depression, Rohatyn answered: "There is a risk. Democracy functions only in a situation of growth, because it helps the development and the distribution of resources. But if the political system must only deal with hardships and sacrifices, the situation in the long run becomes unsustainable. I do not say that we are going to have fascism in America, but other democracies are not so solid. Anyway, in our future we could have a David Duke without a Nazi past."

Scandinavia

Interest rates go up 6% in Sweden

The Swedish central bank raised the interest rate it charges banks by 6% to 17.5% Dec. 5, in an effort to stop the flood of capital fleeing the country, the London *Financial Times* reported Dec. 4. Some 26 billion Swedish krona (\$4.4 billion) were pulled out of the country during the last half of November, triggered by Finland's Nov. 15 devaluation of the markka by 12.3%. The Swedish central bank has reportedly spent nearly 25% of its reserves defending the krona over two weeks.

The bank and government said the big rate hike, the largest one-day rise in recent history, was needed to reassure the outside world that Sweden had no intention of devaluing its currency like neighboring Finland.

"We want to demonstrate forcefully that the exchange rate is fixed," Central Bank governor Bengt Dennis told a news conference. "Our experience from the 1980s is that these big interest rate increases do not remain in force for very long," he said.

Prime Minister Carl Bildt said: "We have been infected by Finland, but we have not got the disease." He said the rate hike was "a tough measure at a tough time to make a tough policy possible—but there's no other way."

After Finnish short-term interest rates had risen to 30%, Finland was forced to float its currency, the Markka, on Nov. 14 amidst a hemorrhage of capital. A 13% devaluation followed. By Nov. 26, the domino effect of the Finnish move had hit Sweden, which raised interest rates by 1% to defend the krona.

'Free Market'

Russian VP attacks Yeltsin's austerity

Aleksandr V. Ruskoi, vice president of the Russian Republic, has strongly criticized the austerity policies advocated by Russian President Boris Yeltsin. Ruskoi, a retired Soviet Air Force general, said the population would suffer from the steep consumer price increases planned by Yeltsin's reform program. The vice president also attacked the destruction of Russia's military-related industries under the free market austerity, saying these industries are the vanguard of Russian technology and must be protected.

The *New York Times* reported that the military industrial complex accounts for 60% of Russian industrial production. The *Times* said that Ruskoi toured military industries in late November, and described "Yeltsin's team of young economic reformers as 'young boys in pink shorts, red shirts, and yellow boots.'"

The Russian parliament went ahead with plans for an immediate 28% value added tax, and Yeltsin is pressing plans for immediate heavy increases in consumer prices.

The *Times* quoted *Izvestia* saying that "the noise made by the vice president's statements [was] not an accidental episode, but the reflection of an anti-market mood among certain circles" in the Russian government.

Health

CDC panel: TB is out of control

A national panel of experts, convened in Georgia by the federal Centers for Disease Control, has issued an alarming report on the spread of tuberculosis.

The CDC group, chaired by Dr. John B. Bass, Jr., of the University of South Alabama, said that additional money was urgently needed to bring tuberculosis under control. The disease was once nearly eradicated in this country, and authorities had projected its total elimination by the year 2010. Instead, tubercu-

losis is once again on the rise in the United States.

The *New York Times* reported the following points made by the panel:

Drug-resistant strains of TB are spreading in several states, among prison inmates, health-care workers, and others. The extent of the drug-resistant strain's spread is unknown, however, because the CDC surveillance program ran out of funds and was closed down in 1986!

Several "unexpected" factors are contributing to the problem, including increases in drug-abuse, homelessness, and poverty; inadequate prevention programs among immigrants and refugees; and deterioration of America's health services.

Treating a drug-resistant tuberculosis case typically costs about \$180,000, which is 10-15 times the expense for standard therapy, and requires up to 18 months of supervised care.

Eastern Europe

Polish economist attacks IMF

Stefan Kurowski of the Catholic University of Lublin attacked the International Monetary Fund in a press conference in Warsaw Dec. 6 for its interference in Polish affairs, the Dec. 7 *Neue Zürcher Zeitung* reported. He charged that the previous talks between the government in Warsaw and the IMF have shown all the characteristics of "a relationship between the inferior and the superior," and that the IMF envoys intervened in such a way that Poland could never have the feeling of being a sovereign state.

Kurowski, who belongs to the Christian Democratic Center party, said that future talks should strictly limit the role of the IMF to discussion of the international Polish balance of payments, and that this has to be an integral aspect of the policy of the new Polish government.

Kurowski's statement was promptly attacked by the Liberal Democratic Congress party of former Prime Minister Jan Bielecki, as endangering the cooperation with the IMF which the Liberals said was indispensable for the success of the economic policy.

● **THE SWEDISH** Air Force will take food to St. Petersburg this winter, Prime Minister Carl Bildt promised the mayor of the Russian city, Anatoli Sobchak, in a meeting in Stockholm Dec. 6. The airlift will begin before Christmas, and involve the transport of 500 tons of bread, canned meat, and other durable foodstuffs, as well as medicines.

● **READING** levels in Great Britain are collapsing, according to a survey conducted by the National Foundation for Education. British 7-year-old school children read at a level six months slower than they did three years ago. A leading educator called the decline "catastrophic" and the NFE calls it "clearly a matter of considerable national importance."

● **THE ALUMINUM** price has fallen below production costs, despite massive cutbacks in production. The price fell below 50¢ a pound (\$1,100 a ton) on the London Metal Exchange in early December. Analysts believe that at such a price, 75% of the western world's smelting capacity is unable to recover operating costs.

● **MANDATORY TESTING** for AIDS was supported by 83% of those polled in Germany. Of 24,719 people asked their opinion on the matter by the daily *Bild*, most thought everyone should be tested.

● **INDONESIAN** health officials have quarantined the first two prostitutes found to have AIDS, the French press agency AFP reports. A team of the national AIDS committee took the two prostitutes from the Bangunsari red-light district in the East Java city of Surabaya and brought them to Jakarta for quarantine.

● **23.7 MILLION** Americans applied for food stamps in November, almost one in ten Americans, according to Agriculture Department figures.