

Business Briefs

Industry

Ford, GM forced to cut production

Both Ford and General Motors have announced cuts in auto production. Inventories are bulging at 80-plus days' stock, when 60 to 65 days is considered normal, and both companies are already giving expensive incentives to buyers, including two-year financing at 2.9%, and big cash rebates on most models.

General Motors, the number-one automaker, is cutting second quarter production by 3%, or 26,000 vehicles; it has seen its sales of domestic cars decline 13% in 1989.

Ford intends to cut production by 2%, or 18,000 cars, but the fact that it has to cut production at all because of large inventories is ominous. Until a short time ago, it was increasing its market share, and had to produce at full operating capacity to meet demand.

East Bloc

DIA-CIA report says Gorbachov plan snagged

Mikhail Gorbachov's ostensible effort to revitalize the Soviet economy is stalled, claims a report jointly issued by the Central Intelligence Agency and the Defense Intelligence Agency.

The annual CIA-DIA report on the Soviet economy released by the Joint Economic Committee of Congress claims that Gorbachov "remains committed to his original vision of a revitalized economy. He has, however, apparently concluded that he cannot realize this vision as rapidly as he once thought possible, nor proceed directly along the path he initially planned to follow," according to press accounts of the report.

Sen. Jeff Bingaman (D-N.M.), chairman of the committee, characterized the report to the *Washington Post* as a "mid-course correction" by Gorbachov, postponing fundamental changes such as price reform, and placing "much of the rest of the reform program on hold."

Africa

U.N. commission hits World Bank report

The United Nations Commission for Africa has condemned a joint World Bank/United Nations Development Program study published March 8. The study said, according to the *New York Times*, that "agricultural production, exports, and gross national product of the 45 countries south of the Sahara had risen since 1985, and that food output is expanding faster than the population for the first time since 1970. The report said the best performance came from countries that had adopted market-oriented economic revamping."

The United Nations Commission for Africa, in an extremely rare break with the World Bank, stated that not only did the report "lack documentation," but it showed a "rather selective approach" with "serious omissions" and internal "contradictions."

The commission added, "The implementation of these [market-oriented] programs has entailed significant reduction in public expenditures on the social sectors, especially education, primary health care, as well as water and sanitation, with dire long-term consequences for the future of the African people and economies."

Banking

Fed bails out two more thrifts

The Federal Reserve Board had to fulfill its pledge to be the lender of last resort to insolvent thrifts at least twice the week of April 17.

It opened its discount window to Lincoln Savings and Loan, based in Irvine, California. Lincoln had experienced a \$70 million run on deposits after banking regulators seized the institution when Lincoln's parent company, American Continental Corp., filed for Chapter 11 bankruptcy.

The Federal Reserve, which had never before loaned money to an insolvent thrift

without good collateral, loaned an estimated \$70 million to Lincoln, a \$5.5 billion thrift, with no collateral.

According to the *Wall Street Journal*, a government official "said the Fed has since advanced cash to at least one other ailing thrift, but much less than the amount Lincoln received."

Energy

Go nuclear, Tokyo symposium told

"Go for nuclear power" as the only way to meet energy needs into the next century, the head of the International Atomic Energy Agency told a symposium of energy experts representing the nations of the Organization for Economic Cooperation and Development (OECD).

Nuclear energy experts from many countries gathered in Tokyo April 17 for a symposium of the Nuclear Energy Agency of the OECD, and agreed that all realistic plans to meet the energy needs of the 21st century must rely on producing more nuclear power, according to a report in the *Bangkok Post* April 18.

Dr. Hans Blix of Sweden, director general of the International Atomic Energy Agency, said, "At the present time, we cannot see any other large-scale, economically viable source of energy which is as environmentally benign as nuclear power."

A revival of nuclear power could "make an essential contribution to the long-term sustainability of economic development," he said.

International Credit

IMF delegation arrives in Pakistan

A high-powered delegation from the International Monetary Fund arrived in the Pak-

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istani capital of Islamabad April 29 on a two-week visit to discuss "budgetary proposals to be introduced in the next budget," according to the Pakistani paper *The Dawn*.

The government of Benazir Bhutto recently adopted a program eliminating many price subsidies and imposing a sales tax on many items, under IMF pressure. IMF authorities are reportedly still pressuring the government to withdraw exemptions allowed for numerous imported and locally manufactured items. The rate of sales tax is presently 12.5%.

Fights over economic policy are already splitting the country. Prime Minister Bhutto has launched a controversial \$100 million people's work program that involves improvements in education, health, sanitation and water supply, and roads in rural areas. Two of Pakistan's four provinces, however, are refusing to cooperate. The governments in Punjab and Baluchistan have charged that Bhutto's Pakistan People's Party bypassed the provincial governments.

Under the plan the projects are to be planned and executed by administrators appointed by Prime Minister Bhutto's Pakistan People's Party.

Defense

Dallas hit hard by budget cuts

The budget cuts announced by Defense Secretary Richard Cheney have hit the Dallas-Ft. Worth area of Texas very hard. Bell Helicopter announced 2,500 layoffs within 10 days.

Cheney cut out of the budget the V-22 Osprey helicopter, which was a joint project of Bell and Boeing with a price tag of \$1.2 billion; 657 of the helicopters were scheduled to have been built.

Also slashed from the budget was the Army Helicopter Improvement Program, developed by Bell. This was a project to modernize the Scout helicopter, and was slated for \$168 million this fiscal year.

Bell Helicopter is the third largest employer in Tarrant County, with 8,000 em-

ployees before the layoffs.

Worse, had the funding for these programs come through, Bell officials were expected to announce as many as 1,500 new jobs.

Observers note that most of the jobs lost are in House Speaker Jim Wright's district. Wright has been given much of the credit for building the Dallas-Ft. Worth corridor into a major high-tech defense center. Some thought it unlikely that Cheney would have been able to push through these cuts had Wright not been "hog-tied" by the present "ethics" investigation.

'Environmentalism'

Save-the-owl crowd targets timber industry

Following a study ordered by a federal judge in Seattle, the U.S. Fish and Wildlife Service has recommended that the spotted owl be declared an endangered species—a move that could bankrupt portions of the timber industry in Washington, Oregon, and California.

The judge issued his order after several "environmentalist" groups filed suit charging that not enough was being done to protect the birds during timbering in the Western states. Only 1,500 pairs of spotted owls are believed to still survive.

According to a Reuters wire, "Each pair of birds is believed to need 1,000-2,700 acres of undisturbed timber to survive." Specialists consulted by *EIR* thought that claim ridiculous—for any species!

Wendell Wood, a spokesman for the Oregon Natural Resources Council, applauded the Fish and Wildlife Service decision, saying, "The owl is important because it is an indicator of all the species that utilize the forest"—whatever that means.

A North West Timber Association spokesman called it "a sad day for the people who depend on that timber to make a living. They say the owl is threatened, but it is clear that the economy is in danger."

Public hearings will be held before a final ruling is made on the Fish and Wildlife Service recommendation.

● **AN EXPLOSION** of unknown origin ripped through the Ford Motor Co.'s Dearborn, Michigan plant April 24, killing two workers and forcing the nation's biggest automaking complex to shut down. The blast, which appears to have originated in a network of tunnels beneath the facility, is under investigation.

● **THE GUYANA** government announced that it will not abandon a program of economic austerity instituted in early April, despite a strike wave in opposition that has hit bauxite mining and sugar industries and is costing the economy \$1 million a day. President Desmond Hoyte stated that the country needed the austerity program in order to get a stand-by credit agreement with the International Monetary Fund he hopes to sign in a few weeks.

● **MICHAEL MANLEY**, Jamaican Prime Minister, called on Jamaicans to brace for austerity measures that will be incorporated in a budget he will soon present, designed to be compatible with a \$114 million stand-by credit signed with the International Monetary Fund last year. Austerity measures will include reduced subsidies and deregulation of private-sector prices. Jamaica now spends 46% of its export earnings to service foreign debt.

● **A SOVIET** trade delegation arrived in Washington for talks with U.S. officials on export plans April 26-27. Some grain traders believe the U.S. may offer more subsidized wheat under the Export Enhancement Program. This is expected to raise the annual ceiling for U.S. grains to the U.S.S.R. to 20 million tons.

● **MORE THAN 20** people were injured in rioting against the government's International Monetary Fund program that lasted last through the night of April 21 in Salta, Jordan, 18 miles west of Amman. Students at Jordan University in Amman also demonstrated, demanding that 15-20% price increases be revoked.