

Business Briefs

Debt

Nyerere: Creditors are bankrupt

Not only the debtor countries, but also the industrialized countries are suffering greatly because of the debt crisis, Tanzanian leader Julius Nyerere told a conference of bankers and politicians in early June in Dubrovnik, Yugoslavia. "The poverty of his customer causes the poverty of the shopkeeper," he stressed.

"There is a net transfer of resources from the poor South to the rich North amounting to over \$30 billion every year. . . . The countries of the South have seen their already very low standards of living decline during the past 10 years, and for the poorest among them there is no realistic prospect of resuming the economic and social advances which they had made earlier. In all except a few countries, malnutrition is increasing as health and education provision declines. Investment is not keeping up with the demand for new jobs, and in some cases it is still negative."

Faced with this reality, Nyerere said, the status quo is no option for the North, since high interest rates are causing Third World indebtedness to snowball, even as development suffers. "The reality is that developed countries exports to the South were about \$150 billion less during the three years 1984-86 than they were during the previous three years."

East-West Trade

Germany helps Moscow with food, computers

The Soviet Union has signed a number of barter deals with West Germany, in an effort to improve its miserable food-processing industry and enter the market for personal computers. The first deal, with a volume of 75 million deutschemarks, involves the construction of a food-processing plant in Moscow, to be carried out by the Berlin Consult engineering company. The cost of the proj-

ect is to be paid from revenues earned through sales of part of the products.

Another contract has been signed for the construction of a plant to modernize production of bio-proteins and other components of animal feeds. The major parties are the grain-dealing Alfred C. Toepfer company in Hamburg, the Salzgitter Industrial Plant construction department, and the Rhineland-Palatinate State Bank; the Soviet partner is the State Ministry of Microbiology Industries. The 60 million deutschemark cost is to be covered by sales in the West of Soviet bio-proteins.

A third deal involves a three-year contract to ship 300,000 Siemens personal computers to Moscow, with the Soviets paying the 1.5 billion deutschemarks this costs through barter arrangements. Moscow will deliver chemicals and minerals to a London-based company, Afro-Arab Investments and Consulting, a Kuwaiti-owned outfit. The Siemens side of the deal is to include training of Soviet data-processing specialists. The computers, which are fully compatible with IBM data-processing components, are being sold at half-price.

Dairy Industry

U.S. sells butter to Moscow, cheap

The U.S. Department of Agriculture announced on June 19 its intention to sell 75,000 metric tons of butter to the Soviet Union at the rock-bottom price of 12 cents per pound. The rationale for the move is that it will reduce the stated U.S. federally held butter "surplus" by more than half.

Wire reports give the price of the deal—stated to be at current world butter market price—at \$19.6 million, which would make the per pound price 12 cents. Butter is the only dairy commodity that the USDA can make any claim to have in uncommitted "surplus," i.e., not otherwise intended for distribution (to schools, the needy, prisons, etc.).

There are effectively no surplus cheese nor milk powder stocks in the U.S., and

dairy supplies to the National School Lunch Program are short. According to USDA officials, the 1985 farm bill mandated that the U.S. sell 150,000 metric tons a year of federally held butter. Before the Soviet deal, the U.S. had sold only 15,000 metric tons this trade year. Some USDA statistics issued prior to the Russian deal, state that there were projected to be only 135,000 to 145,000 metric tons of butter on hand as of Sept. 30.

Domestic Credit

Proxmire warns of overdue 'recession'

In a guest commentary in the June 13 *New York Post*, former Senate Banking Committee chairman William Proxmire sounded the alarm about an overdue recession that easily could devolve into a depression collapse. His counter-recommendations, however, would do little to avert the crash or even to pick up the pieces.

Proxmire pointed out that each year, the budget mavens predict a decrease in the federal budget deficit; and each year, the deficit increases. The economy has now slowed down and continues to contract. After-tax corporate profits in the first quarter fell in the biggest decline in over a year, and unemployment could reach 5.8% by year end. All of this will mean lower revenues and a bigger deficit, as well as increased federal spending for unemployment compensation and welfare.

"We have not had a recession for seven years," Proxmire wrote. "We are overdue for a recession. Usually when an overdue recession hits, it is both longer and deeper. The most troubling element, however, he said, is that households and businesses are deeper in debt than they have ever been.

"A recession could bring widespread insolvency to American families, industry, and to the financial institutions that hold much of this \$7.5 trillion of private debt. The colossal size of the private debt is precisely what could convert the next recession into a full-blown depression.

"So what prudent action should the average American take? First . . . cut your

spending and increase your savings. Second, pay off as much of your debt as possible. Third, avoid further debt like the plague. Fourth, line up jobs you might be able to get if you lose the one you have now. This is no fun."

Agriculture

Bad weather hits U.S. corn crop

In northwestern Pennsylvania, because of continuous wet weather, only 25 to 50% of the corn has been planted as of June 20, when all of it should be in the ground. Many farmers have had to do a last-minute switch to short-season corn seed—which germinates quickly, but gives lower yields.

In Ohio, the same situation predominates, and there are rumors of requests for the governor to declare a disaster.

In southern Iowa, the drought continues, with severe subsoil moisture deficiencies. Farmers have had to sell off cattle and abandon farrow-to-finish hog operations because of the lack of water for the animals.

In southwestern Minnesota, rain has been very spotty, and the *Minnesota Agri News* reports, "Fears are increasing that this growing season will be a re-run of last year."

Medicine

Death rates soar as veterans funding lags

Veterans Administration hospital death rates are "significantly elevated" while more cutbacks are being ordered and Congress is delaying added funding.

One out of four Veterans hospitals has higher than expected death rates caused by medical care "inconsistent with the current medical practice," according to a Department of Veterans Affairs report released June 13.

Of the 172 veterans facilities and 1,771 deaths reviewed, at least 44 hospitals had

significantly higher death rates and 90 of the deaths in 22 hospitals were due to poor care. Among the 90 cases of poor care, missed diagnosis and unordered treatment accounted for 70% of the deaths.

The study was released two weeks after VA Secretary Edward Derwinski ordered major cutbacks in the veterans health care system because supplemental funding has not been approved by Congress. VA centers have been forced to refuse new patients, and treatment is limited to veterans below a certain income, those in need of emergency care, and those with injuries received directly from their military service. It is expected that some 28,000 vets a week will be denied outpatient visits and 1,000 a week will be denied hospitalizations.

Poland

Rakowsky launches austerity offensive

With Moscow's clear backing, and without even waiting for Poland's newly elected parliament to convene, the government on June 20 imposed a 67% sugar price increase, as the first of a new wave of more to come. The government also announced that the January-May annual inflation rate had reached a staggering 78.2% (in reality, inflation has already surpassed 100%).

The new price increases reflect a policy of Polish Prime Minister Rakowski's regime of forcing Lech Walesa's Solidarnosc to choose between all-out collaboration in imposing austerity, or going into a confrontationist opposition, leaving no middle ground.

In a speech on June 15, Rakowski saved his worst insults for Poland's farmers. After asserting that rural Poland is "prosperous," he repeatedly denounced as "drunkards," any farmers who were not content with current economic conditions.

Such highly publicized provocations have accelerated the polarization and radicalization of Polish society. In the June 4 first election round, nearly 40% of voters boycotted; in the June 18 second round, 75% refused to vote.

Briefly

● **THE CHINESE** government is estimated to have purchased 3 million tons of American wheat since the June 3-4 massacre in Tiananmen Square. China is expected to buy a total of 8 million tons of U.S. wheat in 1989. This, at a time when the U.S. winter wheat harvest will be 10% lower than last year.

● **HOME MORTGAGE** defaults are soaring, causing a crisis in the U.S. Federal Housing Administration fund which insures 5.5 million mortgages. The General Accounting Office predicts that at current rates, the fund will be exhausted in five months.

● **MARGARET THATCHER**, the British prime minister, is coming under increasing pressure to have the British pound sterling join the European Monetary System (EMS). Following Thatcher's defeat in the European Parliament elections, even her own European Commissioner, Leon Brittan, has recommended the move.

● **THOUSANDS WILL DIE** in the next decade in the U.S. as a direct result of the Department of Transportation's recent increase of auto fuel economy standards, which will lower the average size of automobiles and increase risk of accidents, according to the latest issue of the *Journal of Law and Economics*.

● **WALTER HELLER** announced his resignation as governor of the U.S. Federal Reserve Board, effective July 31. He said he did so, not because of any policy differences, but because Congress has kept his salary to \$82,000 a year, instead of the \$125,000 he feels he deserves.

● **U.S. AUTHORITIES** have charged that the U.S.-based National Mortgage Bank of Greece has laundered at least \$700 million in a scheme to keep depositors, many of them Greek-Americans, from paying federal income tax.