Business Briefs

Demography

Italy holds first place in population decline

The average Italian woman of child-bearing age (15-49) gives birth to fewer than 1.3 children, giving Italy the lowest fertility rate in the world, according to the 27th Annual Report of the Population Reference Group, released in June. By way of comparison, Mexican women of that age have 3.8 children on average, and Brazilians 3.4. In Europe, the only country which still has a positive growth rate is Ireland, while zero growth prevails throughout the continent, with Italy bringing up the caboose.

The new Italian Chief of General Staff of the Army, Domenico Corcione, recently announced that women will be drafted into the Army, because of the falling birth rate. Projections from here to the year 2037 are that Italy's population will fall to 43 million by then, and even more alarming, that 30% of these 43 million people will be over 65 years of age. That means that for every 100 actively employed persons, there will be 79 retirees.

Italy's present population is 56 million. The sharp decline is projected to begin after 2007, at which point an Italian will die every 1.5 minutes, but without a new one being born. The demographic collapse would become more disastrous by that point, unless the past two decades of savage anti-life propaganda and policy are reversed soon.

Housing

Study cites drop in U.S. homeownership

A new study by the Harvard University Joint Center for Housing Studies documents how housing costs have forced families to forego homeownership, especially for young couples and the poor. Homeownership rates nationally declined to 63.9% last year, down from a high of 65.6% in 1980. The sharpest decline was in the 25-34 age group, the ages when most people buy their first homes. Only 15.5% in this group owned homes in 1988, as against 21.3% in 1980. Young workers are earning less than those of 15 years ago. In particular, workers under 25 suffered a 28% drop in income between 1974 and 1988.

Just 44% of blacks own their own homes, and the report said nothing of the poorer quality or property value. Rents are increasing. The study claims that a growing number of "poor"—supposedly 6.6 million—pay more than half of their incomes for rent, often in substandard housing. 40% of all renters have no savings all.

Dope, Inc.

British bankers defend drug money laundering

The London *Economist* magazine on June 24 issued a shameless defense of drug money laundering. "The drug trade in America alone is reckoned to be worth as much as $200 billion a year. It is therefore obvious that drug dealers use banks, just as they use long limousines. The business is simply too vast to be isolated. It has become part of the financial system," it argued.

"This is why the debate about banks and drug money laundering ultimately leads nowhere. . . .

"Those wishing to combat the drug trade would do better to tackle the demand for narcotics rather than attack the related flows of cash. The flows are a symptom, not the disease itself. Attacking them risks further prejudicing the individual's right to banking secrecy as a result of heavy-handed regulation, for in an electronic banking system, banks will always be used to launder money. The only effective way to end that practice would be to ban all forms of cash. . . .

"It is not even essential to share the view of one cynical British private banker with years of experience in Latin America who said: 'If you had morals or ethics in this business, you would not be in it.' It is indisputable that private banking and secret money do go hand in hand, and some of that secret money would fit many people's definition of dirty money. . . .

"The point is that money is an anonymous medium which was invented to depersonalize the exchange of goods. It still retains that role. The most successful private bankers understand this and will, within sensible limits, continue to put the interests of their clients ahead of those of governments, and their enforcement agents. Whether this is moral or not, is not the subject of this survey. It is most certainly good business."

Environmentalism

25% of U.S. gas stations may have to close

Over 25% of all gas stations in the United States will be forced to shut down by the Environmental Protection Agency over the next few months, as the agency moves aggressively to enforce new environmental regulations. The targeted gas stations are largely the small, mostly rural, "mom-and-pop" gas and repair stations, which will be wiped out in favor of a monopoly of minimum service, high-volume "superpumper" stations owned and contolled by the oil cartels.

The regulations require that all gas stations do the following: replace leaking tanks or gasoline storage tanks 15 years or older, at a cost of $80,000 to $120,000 per tank; upgrade all other gasoline tanks to EPA standards, at a cost of $18,000 to $35,000; install devices to detect leaks and buy at least $1 million in liability protection, which will cost owners thousands of dollars in premiums if they can obtain the insurance at all.

In addition, if any soil has been contaminated by a leak or spilled gasoline, the station owner is responsible for removing the soil, a costly process.

Furthermore, new regulations now coming into effect in the Northeast, to be followed later in the rest of the country, will require gas stations to install nozzles to capture the volatile gases at the pump, at a cost of around $30,000 per station.

Robert Lawrie, executive vice president of Midwest Automotive and Gasoline Dealers Association, a Kansas City area group, noted that the net income from gasoline sales of a good station is $25,000 to $30,000 a year. "It makes no sense at all for them to take on those new costs."

The end result of all the new environmental regulations, warned Joseph Koach, executive director of the Service Station Dealers of America, is that "you're going to see prices like they have now in Europe, where gasoline costs $3 to $4 a gallon."

Real Estate

London concerned over U.S. real estate defaults

IBCA Banking Analysis Ltd., the major international bank credit-rating agency, reports privately that it is "very concerned especially about the real estate bank default situation in New England in the United States. The Bank of Boston and Bank of New England are very exposed, IBCA says, especially since these banks are already beginning to take loan loss provisions for the defaults. "New England is going into a real estate slump worse than that of 1982 and the bottom is nowhere in sight," an IBCA spokesman said.

The spokesman also pointed to a very weak real estate loan situation in the Mid-Atlantic, especially Pennsylvania, New Jersey, and Delaware, and in Arizona, where the state's largest bank, Valley National, a $12 billion bank, is on the verge of being further downgraded in its credit rating. "It's only a matter of time before this real estate recession sweeps across the entire country."

Industrial Policy

Labor Statistics chief wants less heavy industry

Speaking to a conference on education in Washington, D.C. on June 27, Janet Norwood, head of the U.S. Bureau of Labor Statistics, hailed the U.S. shift from a manufacturing to a service economy, claiming, among other things, that the fact that 8 out 10 of Americans are now employed in the service sector, "makes it easier to manage the economy, because recessions hurt goods-producing industries more."

During a question-and-answer session, an *EIR* representative pointed out that an economy cannot function unless it is producing real wealth, and that, in any case, the lower wages paid in the service sector will further shrink the U.S. tax base. Norwood disagreed: "Well, I don't want you to get me wrong. Of course you can't really have a viable economy without goods production, but you don't have to employ so many people in these areas."

On the issue of wages, Norwood admitted that service sector jobs generally pay less now than jobs in auto and steel, but then asserted that "managers in the retail trades"—one of the areas she predicted would experience greatest growth over the next decade, along with restaurants—"earn more than managers in traditonal industries."

Takeovers

Lorenzo having trouble breaking Eastern unions

Buy-out mogul Frank Lorenzo is having more difficulty breaking the unions which are striking Eastern Airlines, than he had six years ago breaking the unions at Continental Airlines. Four months into the current strike, very few pilots have crossed the picket lines of striking machinists. Eastern's unsecured creditors are not playing dead, competitors are taking away Eastern's customers, and the airline is being forced to run at a loss.

It was different in 1983, when Lorenzo forced flight attendants to strike, and then put Continental into bankruptcy. Many of the pilots quickly crossed the picket lines, and Lorenzo used the bankruptcy law to repudiate union contracts. This abrogation of contracts was upheld even after Lorenzo had the bankruptcy filing overturned.

In 1984 the Federal Bankruptcy Code was amended so that the terms of union contracts are no longer automatically suspended by a Chapter 11 bankruptcy filing. The filer for bankruptcy must now convince a court to tear up the contract.

Briefly

● **EQUITY ISSUANCE** for the first half of 1989 is down 40% from the same period last year, and of this the rate of initial public offerings was down 61%. Because of this, Wall Street firms have earned $800 million less than the same period last year in fees, with their current earnings only at $1.3 billion.

● **MEXICO'S** Undersecretary of Industry and Foreign Investment is heading a high-powered mission to Europe, in hopes of increasing European foreign investment into Mexico. His argument is that Mexico is different from the rest of Ibero-America, and has prospects of stable growth in a deregulated, privatized market.

● **WELLS FARGO CO.** and Nikko Securities Co. of Japan have signed a letter of intent to make its subsidiary, Wells Fargo Investment Advisors, into a jointly owned venture. The deal will give Wells Fargo an inside track on Japan's huge pension fund market, which will open up in 1990.

● **HEALTH CARE** firms are in a frenzy of mergers and reorganizations as rising costs, cutthroat competition and medical insurance cuts drive firms into financial straits.

● **U.S. ARBITRAGEURS** have between $2.25 and $4.5 billion riding on the possible takeover of *Time*, and an additional $1 billion on a possible takeover of Warner Communications, according to a Wall Street estimate.

● **FORD MOTOR CO.** will close its Atlanta and Chicago plants on July 17 for one week. These plants produce the popular Ford Taurus and Mercury Sable models, and the shutdown will idle some 4,450 employees and interrupt the production of some 10,500 cars. Dealers began refusing to buy more of these models, when they found out they would have to wait a week more for spare parts.