

# Business Briefs

## Bankers

### Barron's admits that a 'depression' is here

"It is no longer necessary to avoid mentioning the 'D word' at the dinner table, unless you happen to be dining with the Bushes," according to an article in *Barron's Financial Weekly* published the first week in November. "The decompression of the economy that has begun, a massive wringing out of debt and a punitive purge of the lenders, smacks more of the financial panics that periodically roiled the nation in the last century and early in this, than the recessions we've grown accustomed to."

The article gives an accurate description—highly unusual in the U.S. financial press—of the difference between a depression and a recession: "Using the word recession to describe what is unfolding is misleading. . . . We are in for something entirely different—a secular debt unwinding. . . . A depression isn't just a very severe version of a recession; it's an entirely different process. . . . A depression is a self-feeding contraction brought about by incomes falling faster than costs, primarily due to high debt service burdens, which, in turn, leads to a crisis among financial intermediaries and extreme discrimination in lending. In a depression, unlike in a recession, the economy does not respond to central bank ease."

## Science

### New successes reported in cold fusion

New successes in cold fusion experiments were announced at a three-day meeting at Brigham Young University in Utah at the end of October, including the spectacular news that a University of Hawaii team had produced a significant amount of helium-4, a by-product of the deuterium nuclear fusion reaction, in palladium rods. The Hawaii experiment measured  $4 \times 10^9$  atoms of helium-4 after 100 hours, significantly above any background

levels.

As a European scientist who is a visiting scholar at the University of Utah's National Cold Fusion Institute commented after the meeting, "The scientific outlook for cold fusion has never been brighter."

Not a word of the experimental successes reported at this meeting made it into the press, however. Instead, the U.S. media blared variations of the Oct. 25 and 26 headlines of the *New York Times*: "Cold fusion scientist missing as key review nears" and "Utah to start search for cold fusion scientist."

*Times* reporter William Broad insinuated that scientists Martin Fleischmann and Stanley Pons had skipped town to avoid facing the reviewers because they could not "defend" their research. Pons's house was for sale, Broad reported, and his phone disconnected.

Both scientists have been at the University of Utah in Salt Lake City since June, waiting for the review to be scheduled. Just after Pons took his family on vacation to Europe, and after Fleischmann returned to his home in England for medical treatment, the October review date was set and the university could not reach either Pons or Fleischmann to tell them.

The two scientists have said that they will be present at the new review date, Nov. 7.

## Health

### AIDS spreads in Spain among heterosexuals

Some 900 new AIDS cases are now appearing every quarter in Spain, as opposed to 400 in the same period in 1988, Spanish Health Minister García Vargas told the Senate Health Commission in early November. AIDS, he said, is no longer only a threat; it has become a palpable and grave problem.

There are now 6,210 known cases of AIDS in Spain, and, according to the minister, the main increase is among heterosexuals. Such is the concern at the economic damage AIDS will wreak over the next decade, he said, that his ministry is now working on impact studies with the World Health Organization's European office.

Spain has only one hospital bed per 1,000 inhabitants, whereas the other countries of the European Community have three per 1,000. Spain must be brought up to the European average, he said.

## Infrastructure

### English Channel tunnel breaks through

Europe's largest construction project has made it to "breakthrough." Late on the night of Oct. 31, French and British construction teams culminated one of the most impressive engineering feats in history, when the last 100 meters of chalk was penetrated beneath the English Channel, linking Britain with the European continent for the first time.

The Euro Tunnel project, which began three years ago and is due to be completed in 1993, links Britain by rail with Coquelles in northern France.

The engineering feat was all the more impressive, as the "free market" Thatcher government has steadfastly refused to aid the effort. The tunnel is the world's longest undersea tunnel, and is second in length only to Japan's Seikan Tunnel.

Some 13,000 workers and huge 500-ton specially built boring machines have been employed under the Channel. The total cost has been estimated at £10 billion, or approximately \$18 billion.

## Manufacturing

### British industry hits the skids

British manufacturing industry is undergoing the worst decline in 10 years, according to the latest member survey of the Confederation of British Industry. The CBI expects further layoffs of 30,000 by year's end, and says British industrial production is dropping at the fastest rate since the 1981 depression.

The accounting firm Touche Ross is predicting that this year will see an all-time record level of corporate failures. Citing poor management, over-priced takeovers, a failure to learn from the past, and the overall decline of the economy, Touche Ross insolvency specialist Christopher Morris estimates the number of companies going into receivership in the first nine months of this year at 2,630, a "dramatic" rise over the 1,001 during the same period last year.

"No company in the U.K. can now be said to be safe from trouble or indeed collapse," Morris warned, predicting a new wave of failures.

According to the London *Financial Times*, "The sharpest retreat by international banks from corporate lending since the mid-1970s has heightened concerns in the banking community about the risks of a worldwide credit squeeze." They add that "bankers see a 'sea change' in international bank sentiment . . . an abrupt end to a decade of plentiful credit for companies in the U.K. and elsewhere. . . . Banks have also become nervous about existing loans. This has contributed to the rapid collapse of highly indebted companies."

## **International Trade**

### **Japan called on to promote Asian economies**

The honorary chairman of South Korea's Hyundai business group urged Japan to play a positive role in the economic development of Northeast Asia, including the Soviet Union, China, North Korea, and South Korea, in a statement Oct. 30. Japan's cooperation is indispensable for economic progress in the region, and that progress will pave the way for the reunification of North and South Korea, Chong Chu-yong said in a lecture in Tokyo.

Chong noted that Germany is in the vanguard of the movement for economic change in Europe. Japan, with its great economic power, should play an active role, similar to that of Germany, in enhancing the economy of Northeast Asia, he said.

Meanwhile, it was announced that C. Itoh

and Co., a bit Japanese trading house, has sold 15,000 tons of crude oil from the Soviet Union's Sakhalin Island to a South Korean oil company, Yukong, Ltd., in the first such deal between the two countries. The arrangement will provide the Soviet Union with desperately needed foreign exchange and South Korea with crude. South Korea's supply of crude oil has been shrinking due to the Gulf crisis. The company said it will promote such trade between the Soviet Union and South Korea, which restored diplomatic ties in September.

## **'Free Trade'**

### **Japanese accuse U.S. of strangling steel**

The United States has proposed trade rules for steel products that would threaten developing countries' efforts to protect and nurture their steel industries, Japan's Kyodo news service quotes Japanese government sources. The proposal includes the scrapping of tariffs on steel products and a ban on import quotas, as well as a ban on government credit for exports of steel plants on more favorable terms than by private financial institutions.

The U.S. proposal was made at an unofficial meeting between representatives of the United States and Japan within the framework of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), the sources said.

Washington also called for a prohibition on government subsidies to the steel industry except for assisting basic research, the sources said. The measures are apparently aimed at complete liberalization of the steel trade, which could jeopardize developing countries' plans to develop their own steel industries with economic assistance from industrial countries, Kyodo comments.

A Japanese official is quoted, "We should not deny the developing countries striving to nurture their own steel industries the very path that Japan once went through." Japanese negotiators were baffled by the proposal, the sources said, made during the last stage of the Uruguay Round, which is scheduled to conclude in December.

● **JOHN REED**, the chairman of Citibank, told the *Harvard Business Review* in an interview published the first week of November, "Now I'm damned embarrassed, because the critics were right and we were wrong. We were warned about real estate two years ago, and we were warned again a year ago, and we pooh-poohed it." You said it, John.

● **THE INSURANCE** industry bailed out a record 44 U.S. insurance companies last year, more than double the 1988 figure, at a cost of \$2.5 billion, compared to \$500 million for the 10 prior years, the *New York Times* reported Nov. 3. In addition to their junk bond and real estate problems, the insurance companies are battling grass-roots movements in many states to roll back insurance premiums.

● **GERMANY'S** Confederation of Industry has opened an office in Warsaw to promote investment in Poland by German firms. To date, contracts between German and Polish firms have totaled \$2 billion, awaiting a Polish government decision on revised property ownership and investment laws.

● **THE SOVIET UNION** has appealed to Japan for emergency shipments of consumer goods. "At a meeting with the foreign ministry in October, we mentioned how severely we are suffering economically, especially shortages of consumer goods such as food and medical supplies," a Soviet diplomat in Tokyo told reporters there. Japan has not yet responded, said the diplomat.

● **THE U.S. APPEALS** Court for the District of Columbia has ruled that the Nuclear Regulatory Commission may not give permission for a nuclear plant to operate before it is built. As the law now stands, a company must apply for a license to construct a nuclear plant, and then, once the plant is built, apply for another license to operate it.