

Business Briefs

Labor

German metalworkers begin strike in east

German metalworkers have begun a strike at six steel mills and 44 other plants in eastern Germany, their prime demand being for entrepreneurs to reinstitute a wage increase of 26% promised to them by April 1 this year, in an agreement linked to the 1990 treaty on German reunification.

Metal industry managers in eastern Germany had canceled the agreement several weeks ago, on grounds that the increase, which would bring industrial incomes in the metal and steel sector up to 70% of average western rates, was no longer tolerable under conditions of an economic recession.

Driven by austerity-minded arguments that have made the wage issue allegedly the exclusive "crucial problem of industry's future," managers are avoiding the real issues—the old and new debt, interest rates, and principles of banking and credit policies. They provoked the strike to defeat eastern workers as a prelude for income cuts on a national scale.

Political Economy

U.S. must cure speculative economy, says Kurtzman

In a somewhat flawed but devastatingly accurate presentation, the executive editor of the *Harvard Business Review*, Joel Kurtzman, indicates the speculative economy of the United States. His article, "The Death of Money," appeared in the May 1993 issue of the Continental Airlines magazine *Profiles*, and is adapted from his book of the same name which was released in April.

In the last 20 years, America has been splintered into two economies, Kurtzman writes. "The smaller of the two economies I call the 'real economy.' This is where products are made, trade is conducted, research is carried out, and services are rendered. The real economy is where the factory workers toil, doctors tend the sick and teachers teach, and where roads, bridges, harbors, airports and

railway systems are built. Tragically, in the United States, it is also the impoverished part of the economy, starved for investment, backward and in disrepair."

Kurtzman contrasts this to "the other economy, the financial economy, [which] is somewhere between 20 and 50 times larger than the real economy. It is not the economy of trade but of speculation. Its commerce is in financial instruments." The financial economy, Kurtzman writes, is volatile, represents potential trouble, and is booming.

Kurtzman recommends a series of steps to deal with this crisis, including a "fixed-rate dollar" pegged to a basket of 12 or so commodities, stabilizing interest rates, dampening speculation, and increasing wages. "A rising standard of living—something we have not seen in nearly two decades—will go a long way toward dispelling some of the social tensions that now infect our country."

AIDS

New strain identified as virus spreads in Asia

Researchers in the Netherlands have identified a more virulent strain of HIV, the virus that causes AIDS, which they believe accelerates the development of the disease. The presence of the syncytium-inducing virus makes a patient six or seven times more likely to develop AIDS within two and a half years, according to a study published in the *Annals of Internal Medicine*.

The report comes as experts fear that more people will soon be dying of AIDS in Asia than in any other region in the world, the German weekly *Der Spiegel* reported in early May.

Indian AIDS expert I.S. Gilada estimates that India will have 20-50 million HIV-infected people in the near future. Some 15% of all HIV-infected people in India have been infected by blood transfusions. Out of 1,000 blood banks, only 600 are state-owned where the blood is screened, while private blood banks exert no control. Their donors are poor, sick, and often drug-addicted, who get something to eat and a little money for giving blood.

In Thailand, the number of HIV-infected by the year 2000 is projected at 2-4 million,

which would be 6% of the population. In China, the official number is about 1,000 HIV-infected people, "but that is dangerous nonsense," experts say. Internal statistics show at least 10,000 infected people. Others think the real number is 100,000.

In Malaysia, the official number of infected is 5,100, while experts think the real number is ten times higher. In the Philippines, some 35,000 people are infected. One AIDS expert said that AIDS in Cambodia could possibly claim more victims than the Khmer Rouge dictatorship, which killed about 1 million people.

"AIDS is threatening to overwhelm all countries in Asia, and the economic pressure will become incredible," scientists warn. Thailand estimates that its economy will lose \$9 billion by the year 2000 (one-seventh of its GNP).

Economic Theory

Alexander Hamilton cited in national debate

First U.S. Treasury Secretary Alexander Hamilton was cited as a model for dealing with the budget deficit in a commentary entitled "Deficit Lessons: Hamilton the Hero," by Thomas McGraw, professor at the Harvard Graduate School of Business, in the May 2 *New York Times*. Written in part to justify an increase in taxes, McGraw's article misrepresents the fact that Hamilton created a national bank to generate credit for producing wealth, not to increase the money supply merely to pay the debt. He nonetheless recognizes the dramatic results of Hamilton's policy.

"A battle over deficit reduction hardly seems the stuff of a profile in courage, but there it is: The Case of Alexander Hamilton," McGraw wrote. "When the new American government was created by the Constitution, the bills for the Revolutionary War still had not been paid. In 1790, the national debt stood at \$75.4 million, a colossal sum more than 15 times the young government's annual revenues. (Today's debt, though absolutely immense, is only four times yearly income.)"

Hamilton "called paying the debt a 'sacred obligation,' the price of . . . independence and

liberty. . . . This unflinching approach has earned Hamilton a niche in the Republican pantheon; until the 1980s, the Republicans probably held only Lincoln and Washington in greater esteem." McGraw states that "Hamilton's fiscal ingenuity matched his fiscal integrity. He designed a brilliant system for placing 'public credit' on a sound basis. . . . By promoting a national bank and capitalizing it with new Treasury bills, he multiplied the meager money supply. Hamilton's "personal victory became America's as well."

Ukraine

Kuchma seeks special economic powers

Ukrainian Prime Minister Leonid Kuchma has demanded "special powers" to lift the nation out of its desperate economic crisis. Kuchma made the demand to the Ukrainian Parliament on April 30, saying, "Without the introduction of martial law in the economy, Ukraine will cease to exist as a state."

On May 3, the parliament began deliberating on his demand. The desperate economic crisis and International Monetary Fund-dictated "shock therapy" and conditionalities policies are fueling a political crisis. Communists see a political opportunity in the midst of popular anger over the collapse of living standards.

Foreign Debt

A time-bomb ticking in Third World, says paper

A time-bomb is ticking not just in the former Soviet republics, but in the debt-ridden Third World, the *Jakarta Post* of Indonesia editorialized on May 4. "The nations of the West should be reminded that a mightier bomb is ticking away in the form of suffering due to poverty in many developing countries."

The editorial rejoices that Boris Yeltsin returned home with \$1.6 billion from the United States. "We believe in democracy and pray for the welfare of the Russian people in the days

to come. But in another part of the globe, a similar cause is also being fought for in the name of 108 developing countries of the South. . . . At stake are the lives of not just 150 million people but those of nearly half of the earth's population of five and a half billion. At stake is not one democracy but more than 100."

This situation "is exacerbated by the fact that the total external debt of developing countries reached \$1.35 trillion in 1991," the editorial read. It noted that Indonesian President Suharto, as the head of the Non-Aligned Movement, was not permitted to make this case at the Group of Seven summit of industrialized nations. This "gives rise to questions which clearly require serious answers. . . . Does the reluctance of G-7 leaders to listen to the plight of developing countries originate from the fact that unlike in Russia and the other republics of the former Soviet Union no nuclear warheads are involved? . . . Why is it so difficult for the South to get a chance to communicate with the North?"

Energy

China authorities warn of power shortfall

Five Chinese ministries and commissions warned of a major shortfall in electric power production, and issued a directive to local authorities demanding that they ensure that enough generators are installed this year, the *China Daily* reported on May 1.

Power production is now at least 80% below that needed. It is dependent on totally inefficient thermal and hydroelectric generation for an economy of 1.2 billion people, and coal-burning has already massively polluted China. Power generation grew only 10.7% in 1992, while industrial production overall grew 20%.

The Chinese power industry plans to install 57 new generators this year, but of those 44 are thermal and the rest hydroelectric. China has installed generators with a power-production capacity of 165 million kilowatts per hour, but whether they are operating or not is unclear. China will require a capacity of 280 million kilowatts an hour by the year 2000.

Briefly

● **BOVINE SOMATOTROPIN (BST)**, a natural component of cow's milk which is fed to cattle to boost milk production 10-15%, is safe, based on research by regulatory agencies of over 30 nations, the Council for Agricultural Science said April 15.

● **BRITISH DOCTORS** warned at the House of Lords inquiry into medical ethics on May 5 against any relaxation in the law which would give patients the right to die. The British Medical Association said that it could eventually lead to pressure to kill the chronically disabled.

● **FORTY AIRLINE** officials from five airlines in Taiwan will visit Shanghai in May to discuss the possibility of opening direct air links between Taiwan and China, the leader of the delegation said on May 7. Taiwanese have made an estimated 4 million trips to China since 1987, most of them through Hong Kong.

● **CHINA** may trade nuclear power, sophisticated technology, and arms to the Mideast for crude oil, an analyst said recently at an oil conference in Singapore. Last year, Mideast oil producers sold only about 70,000 barrels of oil a day to China, but sales will leap to between 600,000 and 1.5 million barrels a day by the end of the decade.

● **KENYA** has 1.68 million people who are believed to be infected with HIV, the Ministry of Health in Nairobi reported in early May. This is 7% of the total population.

● **THE GERMAN** chemical industry will fire 30,000 workers this year, a spokesman for the industry association said on May 7.

● **INSURANCE FIRMS** in the U.S. face record damages in the first quarter of 1993. Nine catastrophes led to an estimated \$2.8 billion in property damage insurance claims, beating the previous record of \$810 million set in the first quarter of 1992, UPI reported on May 4.