

Business Briefs

Croatia

Economy must be revived, businessmen warn

Croatian business leaders warned in a meeting with Prime Minister Nikica Valentic in Zagreb on March 9 that steps must be taken to revive the economy. "We can't stand it any more!" they said.

They claim that the stabilization of the Croatian dinar is not enough for the economy to recover. Most business losses come from dealings with foreign countries because the dinar is overvalued. To be successful, they said, the value of one German mark must be at least 4,000 dinars, and not the current 3,600. Some even suggested 5,000 dinars to one mark to cope with inflation and to stimulate production.

Croatian economists accused the government of creating an artificial shortage in the supply of dinars, which affected its value. One consequence is that it is impossible to see clearly how big the Croatian monetary reserves are. Another problem is the spreading black market which is tolerated by the financial police. This is leading to the Croatian economy becoming a speculative economy. In 1993, real production in Croatia was falling by 5.9% in relation to 1992, but by December 1993, it fell by 11.9% in that month alone.

Prime Minister Valentic said that the "greatest light of hope for the Croatian economy is coming from international monetary institutions."

Labor

Brits push USAir to confront unions

"The Brits . . . don't believe the guys at USAir have religion yet. They want them to really confront the unions," one analyst, who asked not to be identified, told the March 10 *Philadelphia Inquirer* in describing the latest asset-stripping program of wage cuts and layoffs announced by USAir.

In USAir's hub in Pittsburgh, which employs 12,000, county officials have hired a law

firm to figure out how to keep the new airport terminal open if the carrier declares bankruptcy. Meanwhile, the USAir labor coalition, whose members have already accepted large cuts in pay, layoffs, and "improvements in productivity" over the past two years, met in Washington on March 15 to try to counter the airline.

A British Air cash infusion of \$386 million last year gave it 24% of USAir stock and effective, if not actual, control of the company. But British Air is refusing to put in any more money, while USAir announced a \$200 million loss in first quarter 1994, caused primarily by matching cutthroat fare cuts by Continental Airlines.

Phil Valenti and Lewis du Pont Smith, associates of Lyndon LaRouche, have pointed out in a White Paper on Minnesota Attorney General Hubert "Skip" Humphrey, that Frank Lorenzo of Continental Airlines is a cat's-paw of Carl Pohlad of the ADL's "Minnesota Mafia," which in turn is a controlled asset of the British establishment. In other words, the British are running both ends of the asset-stripping squeeze.

Finance

Expensive money is not our culture, says prof.

Since St. Thomas Aquinas, expensive money does not fit with our culture, Jean Paul Fitoussi, a professor at the Political Science Institute of Paris and director of the French Foreign Trade Bureau, stated in the French economic weekly *L'Expansion* in early March. "Mass unemployment is the worst imbalance of a democracy in times of peace," he said, and one of the major causes of unemployment is high interest rates. "High interest rates mean, on the one side, that the revenues of financial capital are favored relative to those of work and company activities: Effort and its remuneration are thus devalued." Fitoussi concluded that the precondition for stronger growth is the return to lower interest rates.

"Soft growth has not been prejudicial to all," he said. "It resulted in a vast distribution of revenues and wealth. In fact, the fortune of some of the actors improved even more during

the last years of relative stagnation than it had during the preceding decades."

This is worrisome, Fitoussi said, because it means that certain economic agents are no longer interested in pursuing a generalized growth of the economy. "If the revenues of a fraction of the population can grow through redistribution of a fixed volume of wealth, rather than through the growth of that volume, the society becomes less of solidarity, and a common front in favor of growth disappears. . . ."

"Each country then tries to corner a more important part of the market. What is lost by one is gained by the other. In the same vein, each actor tries to increase its control over the national revenue."

Development

Fund supposedly set up to aid infrastructure

Former World Bank and International Monetary Fund executive and former Pakistan Prime Minister Moeen Qureshi announced on March 7 the establishment of the first large-scale international investment fund which will exclusively target infrastructure projects in China and other developing countries, Agence France Presse reported.

The AIG Asian Infrastructure Fund, originally promoted and invested by the insurance conglomerate American International Group (AIG), is to provide equity financing for major Chinese infrastructure projects in the transportation, telecommunications, and energy sectors. "We have also been specifically asked to consider the expressway that links Beijing with the capital of Hebei province, Shijiazhuang, and four or five power projects," Qureshi said. Railway links and pilot projects aimed at opening up China's telecommunications sector will take up half of the fund, while the other half will be concentrated on the members of the Association of Southeast Asian Nations (ASEAN), he added.

AIG was headed by Hank Greenberg, who played a role in many CIA operations in collaboration with such other Asia hands as former CIA Deputy Director Ray Cline, former U.S. Ambassador, to Beijing James Lilley, former

Pentagon covert operations director Gen. Richard Stilwell, George Bush, and Bush's former aide Donald Gregg.

The 'American System'

Revive List, says former governor of Fed bank

William M. Burke, a retired vice president of the San Francisco Federal Reserve Bank, called for a revival of the "American System" economic policies of Friedrich List, in a column in the Feb. 28 *San Francisco Chronicle*. List's writings are again gaining currency among even some American policymakers, he said.

"Writing in *The National System of Political Economy*, published in 1841," Burke wrote, List "argued that policymakers can assure national greatness only by supporting their industries with a system of tariffs, subsidies, and other protectionist policies. List argued that protectionism was especially necessary for countries trying to reach economic maturity, particularly if they wanted to catch up with other countries that had reached maturity at an earlier time. In any event, List and his theories were involved in all three of the great economic success stories of the past century—America, Germany, and Japan."

Burke claimed that some of President Clinton's policies show influences of Listian ideas, and cited John Kenneth Galbraith, who he says favors a revival of List's protectionist policies. "All of this suggests that we will hear much more about Friedrich List in future years," he wrote.

Poland

Strikes greet IMF austerity budget

The Polish Sejm (parliament) approved a new budget on March 4 which was arranged with the International Monetary Fund, which poses strict limits on state subsidies to state-sector industries. A strike wave has been organized

by Solidarnosc in protest, which may have repercussions upon the policy and composition of the government, should the OPZZ, the former communist labor federation which has so far been loyal to the government, join the protest.

On March 8, workers in 70 iron and steel plants were on warning strikes on the second day of action by the 2 million-member Solidarnosc movement. Workers in the energy, state railways, coal and copper mines, and telecommunications sectors are expected to join the nationwide protest.

"This is like a snowball—every day, a bit more, until the budget is withdrawn and changed," Marian Krzaklewski, chairman of Solidarnosc, declared in Warsaw. The labor action is aimed at convincing President Lech Walesa that he should veto the austerity budget and force a review of it.

Economic Policy

Lemelson calls for invention and innovation

Jerome Lemelson called for a national economic program which emphasizes "invention, innovation, and creativity," in an ad in the Feb. 9 *Washington Post*.

Lemelson attacked the so-called post-industrial society. "We forgot that the service sector alone cannot sustain a healthy economy. Real wealth comes from putting ideas into production," he wrote. "Services alone cannot support us, and neither can the raw materials and finished goods that made the United States the world's richest nation. In a high-tech environment, the most powerful competitive advantage is a work force that invents and innovates. The critical resource is brain power."

Lemelson works with the Massachusetts Institute of Technology and Hampshire College. His project has reintroduced the World War II concept of the E-Awards for excellence, which were designed to stimulate productivity in support of the war. It is projected that E-teams will be created at all schools amongst the 4.5 million college students in the United States, thus sustaining "scores of 21st-Century Silicon Valleys," through Hampshire's National Collegiate Inventors Alliance.

Briefly

● **BACTERIAL** infections are increasingly difficult to fight, according to Professor Bitter-Suermann of the University Clinic in Germany. Antibiotics have been relied upon while other control measures such as vaccinations or isolation have been neglected, and some diseases have developed agents that are resistant to more than one antibiotic in 60% of cases.

● **THE EUROPEAN** Commission will allow 26,000 tons of chlorofluorocarbons to be imported, *Libération* reported March 9. The EC decided in 1992 to stop production of CFCs by the end of 1994. The imports will come from India, China, Russia, or countries which, under the Montreal Protocol, have the right to produce CFCs until 2006.

● **RABOBANK**, a Dutch bank known in the United States for speculating on farm loans, is planning to become one of the leading agribusiness banks in Australia in the next three years.

● **COLOMBIA** signed an investment agreement with Britain, in which it will guarantee British investors treatment equal with its own nationals, no exchange controls, international jurisdiction over disputes, and other benefits.

● **'THE BANK OF ENGLAND** and City of London are the ones preventing any action against derivatives," a German financial source told *EIR* on March 9. "The only area left where Britain is a global player in the aftermath of 12 years of Thatcherism and deindustrialization, is in global finance. So long as London refuses to act, controls elsewhere are utterly impotent," he said.

● **ROBERT REICH**, the U.S. secretary of labor, attacked "some central bankers and finance ministers" for believing that their policies simply amounted to "the freedom to fire workers," according to the March 11 *International Herald Tribune*. That would not result in better living standards, Reich said.