

Business Briefs

Defense Technology

British Navy has new laser guns

The British Navy has installed new laser guns on warships to counter attacks from low-flying aircraft. Originally reported by the Spanish weekly *Tiempo*, the deployment is now being discussed in the British press.

The *Times* of London reported on Jan. 8 that the laser gun is screwed to the top of a warship's bridge, and is controlled from the ship's operations room. The laser beam from the gun is designed to blind pilots at certain ranges. "The navy weapon was apparently developed jointly by the Ministry of Defence's Royal Signals and Radar Establishment (RSRE) in Malvern and the Admiralty Research Establishment. Work is now thought to be under way at RSRE to develop an entire range of similar weapons for use in aircraft and on land."

The *Times* claims that the *Tiempo* leaks might "compromise" the laser-gun program and deployment, and the British Labour Party intends to demand to know whether other NATO members have such systems. Reports the *Times*, "The Soviet Union and the United States signed an agreement last June banning 'dangerous military activities.' Those included the use of laser beams that could harm pilots. The agreement, which came into force on Jan. 1, was reached after a series of potentially dangerous incidents in the Black Sea when American pilots monitoring Soviet warships said they had been hit by laser beams."

Unemployment

Claims hit highest level in five years

U.S. unemployment claims increased 35%—to 426,000—for the week ending Dec. 23, compared to the same period the year before, according to the Labor Department, the highest level in five years.

The weekly increase in jobless claims versus the previous year's figure has been ratcheting upward since mid-1987, when claims were falling at a rate of negative 21%.

Even though jobless claims are skyrocketing, the Labor Department reports that December's unemployment rate remained at 5.3% for the fifth straight month. The official unemployment rate for all of 1989 was also 5.3%, compared with 5.5% in 1988.

Another 25,000 manufacturing jobs were lost in December, the ninth consecutive monthly decline, which lowered employment of factory workers to 19.5 million, the department said. Construction jobs also declined—allegedly because of the cold weather, not the real estate collapse—putting the total loss of goods-producing jobs including manufacturing at 64,000.

The gain in new jobs was entirely in the services sector, which rose by 206,000 jobs. The net increase last month of 142,000 jobs was one of the smallest increases in two years and down sharply from November's figure of 222,000. Retailers did less hiring than normal during the Christmas sales season.

Investments

U.S. economy faces 'present danger'

The "present danger" confronting the U.S. economy is that there could be a "coalescing of negative developments which will sour investor confidence in the U.S. economy and in the Bush administration's ability to handle it," the London *Independent's* Washington correspondent Bailey Morris reported on Jan. 5.

According to Morris, "any one of a number of developments could shatter the fragile sense of security." The U.S. economy is "skating close to a recession, and could tip over the edge in the second quarter of this year."

Morris points to the growing number of "debt-laden companies" in the United States, whose situation will make the U.S. deficit worse. At the same time, "Japanese investment may be going elsewhere," particularly

into West Germany and other parts of Europe. Japan has been increasingly cautious about investing in the United States after the October crash, and may not be so willing to prop up the U.S. economy. "Americans may a heavy price for a decade of fiscal mismanagement," warns Morris.

Robotics

Japan is the world leader

Japan will invest three times more per capita than the United States in new factories, robots, and machinery this year, according to Deutsche Bank economist Kenneth Courtis, the *Washington Post* reported Jan. 2.

Japanese companies now employ 68% of the world's robots—175,000 compared to 33,000 in the United States, according to statistics from the Japanese Industrial Robot Association—and the gap is increasing.

One Japanese company, Fanuc, controls 70% of the Japanese market and about half the world's market in numerically controlled machines. Fanuc, along with Swedish ASEA, has joint ventures with General Motors and General Electric to supply robots and robot technology.

'The Recovery'

Journal of Commerce admits income drop

The *Journal of Commerce* admitted in an editorial on Jan. 4 that the income of U.S. workers has been devastated over the past decade, and warns that there may soon be social explosions.

"A picture of a stagnant economy is becoming clearer by the day. Each morning's paper brings news of layoffs and cutbacks . . . [but] the real economic crunch will involve not jobs, but living standards," the *Journal* wrote.

"Measured in 1977 dollars, the average

non-supervisory workers in the private sector earned \$165.62 a week in August. That's 1% less, adjusted for inflation, than that worker earned in August 1988, 1.5% less than at the bottom of the recession in 1982 and, for those with long memories, nearly 17% less than when real earnings peaked back in 1972. . . . Not even the renaissance in manufacturing has reversed the decline in the average real wages of production workers, which are falling about 1% a year.

"Why aren't workers in revolt? [Because they] have seen their buying power rise as a result of having fewer dependents: Average household size is only 2.65 people, shrinking from 2.76 in 1980 and 3.15 in 1970."

The *Journal* admitted, "Already, scattered signs of falling living standards are apparent," when moonlighting (at an all time high) and the number of spouses forced to work instead of caring for children, are considered. "Until now, many workers have not interpreted the erosion of their own individual purchasing power as part of a broader decline in the standard of living. But if present trends continue, the pressure on living standards may soon be so great that it cannot be overlooked."

Consumer Credit

Loan delinquencies rising rapidly

The number of consumer loans 30 days or more past due rose to 2.88% in the third quarter of 1989, the highest level in two years, according to the American Bankers Association.

"Consumer loan delinquencies are rising, and fears are mounting that policymakers are going to need to plug yet another hole in an increasingly leaky American dike," the Jan. 3 *Washington Times* commented.

Total consumer installment credit, including all consumer debts except mortgages, rose 5.7% in October 1989, the *Times* said. Revolving credit lines, which include credit card and retail borrowings, were up 6.4%.

One barometer of the state of consumer credit is the non-business bankruptcy rate, which is rising. U.S. bankruptcy courts re-

corded 594,511 personal bankruptcies in the quarter ending Sept. 30, compared with 580,459 the previous quarter and 526,099 in the quarter ending June 1988.

Health

Hospitals sue states over Medicaid debts

Several major U.S. hospitals associations have filed suits against states for back payment of services rendered to patients on Medicaid because of their own desperate financial situation. In one case, *Baliles v. the Virginia Hospital Association*, presented to the U.S. Supreme Court on Jan. 9, 46 states signed an *amicus curiae* (friend of the court) brief on behalf of the state of Virginia to block the suit.

As the head of one bill collection agency explained, when the state "exhausts the budgetary allowances, they turn off the computer and just stop processing the claims." This leaves some hospitals with millions in debts and interest payments on loans which they have taken to cover those non-payments.

The state of Virginia contends in its brief to the Court that Medicaid recipients should be the only ones who can sue for payment, that hospitals have no standing. But lower courts in at least five states have ruled otherwise.

In one case, New York State Medicaid payments to the city's private hospitals are behind about 78 days, or \$578 million in arrears. The Massachusetts Hospital Association went to court to recoup what that state owed hospitals—\$350 million. Massachusetts hospitals are paying out about \$1 million a month in interest payments on money borrowed in lieu of uncollected payments.

Chicago's Rush-Presbyterian-St. Luke's Medical Center has developed a subsidiary operation, called Medicaid Applications Services (MAS), in which experts seek to maximize Medicaid reimbursables. If hospitals want to stay in business, they are going to have get aggressive and demand payments, one MAS official said. The end result, he admitted, would be a major shift of public debt to private payers and more hospital closings.

Briefly

● **THRIFT DEPOSITS** dropped \$4.5 billion in October, according to the U.S. Office of Thrift Supervision. The agency said that the thrift industry had lost a net \$65 billion in deposits over the year ending in October 1989.

still in business at the end of that period, compared to 3,001 at the end of 1988 and 3,998 at the end of 1980.

● **RED CHINA** reassured its creditors that it will continue debt repayment. A senior Chinese official said Beijing would repay its more than \$40 billion of foreign debt without serious problems, despite a 21.2% devaluation of the currency Dec. 16 to help attract more foreign investment.

● **A DENGUE FEVER** epidemic has broken out in Venezuela. The Ministry of Health reports that it is registering around 100 cases a day of dengue, and that at the present time there are 1,523 cases, of whom 37 have already died.

● **PAUL VOLCKER**, former chairman of the U.S. Federal Reserve Board, will attend a conference on central banking in Beijing, Communist China, Jan. 15-17, the *International Herald Tribune* reported Jan. 9. U.S. Deputy Assistant Secretary of Commerce Roger Severance is now in China for talks with his counterparts.

● **THE INDEX** of the National Association of Purchasing Management registered another drop in December, indicating that the manufacturing economy continues to devolve. It was the eighth consecutive monthly drop of the NAPM index.

● **PENNSYLVANIA'S** state legislature is considering one of the stiffest anti-corporate-takeover laws in the nation, which would require that any profits made in the takeover of a company must be returned to that company if it is resold within 18 months of the launch of the takeover bid.