

Business Briefs

Poverty

U.S. safety net has gaping holes

Barely one-third of unemployed people are now receiving unemployment insurance payouts, compared to more than three-quarters in the recession of 1975, and about half in 1982, the *New York Times* reported.

Because of the budget crisis at all levels of government, the eligibility requirements for receiving unemployment insurance benefits have become so stringent, that Walter S. Corson, an economist at the Mathematica Policy Research Institute who conducted a study for the U.S. Department of Labor, found that even if officially admitted unemployment were to rise to 9%, only 36-38% of America's unemployed would be eligible for unemployment insurance benefits.

The new, post-industrial economy is directly to blame, because service sector workers, who now comprise the bulk of the U.S. work force, usually do not earn enough to qualify for benefits, or change jobs too often to meet the length of service requirements.

The *Times* also noted that this time around, it is very unlikely that Congress will extend the duration of unemployment payouts from 26 weeks to 52 weeks, as it has done in past recessions. The reason for this is that the recent budget compromise mandates that any increase in any type of social benefits be offset by reduced expenditures elsewhere, or by increased taxes.

Infrastructure

Brazil, Peru agree on Amazon highway

Brazil and Peru reached political agreement on an Amazon highway link. It would provide the first Atlantic-Pacific road connection in that area. Mario Amato, president of Brazil's São Paulo State Industrial Federation, affirmed, "It would consolidate the basic physical infrastructure of Latin American integration."

The route chosen runs close to the Bolivian

border and facilitates integration with the Bolivian, Chilean, and Argentine highway and rail grids. Peruvian delegates pressed for that southern route from Rio Branco and Assis, Brazil, to Puerto Maldonado in the Peruvian jungle. There the route traverses the high Andes via Cuzco and Arequipa to end up at the Pacific port of Matarani.

Of its 1,303 miles, 508 are in Brazil. Almost 300 miles are already paved. The rest is often-impassible dirt road. But it already exists, which is one argument against "environmentalist" crusades to stop road-opening the jungle and its fringes to economic development.

Such a road would be of immediate benefit to soybean producers in the interior of Brazil, who could truck their products to Pacific ports far closer than the Brazilian Atlantic coast. Peruvian producers would send back the fertilizer required for Brazilian soils.

For maps and background, see *EIR* Nov. 2, 1990.

Demography

Population decline threatens Europe

The European Community's 1990 figures, which include 1988, show fertility for the 12 EC nations at 1.6 children per woman, almost 20% below the zero-growth rate of 2.1. Total fertility fell below that level in 1975, and has been plummeting since. Births outside marriage, however, have skyrocketed since 1978. At this point, 45% of the births in Denmark, and 25% in both France and Britain, occur outside wedlock.

The birthrate crash began in 1965, well before the 1973 oil hoax triggered worldwide depression.

The lowest birthrates of all at this point are in Italy, at 1.34, Spain, at 1.38, and Germany, at 1.42, a slight rise from the world-historic low of 1.28 in 1985. West Germany had a significantly lower birthrate than the former East Germany. This is despite positive measures to aid families, such as complete health care and a monthly stipend of DM 600 for mothers for

the child's first 18 months.

The only country which has a birthrate of 2.2 is Ireland, and this is a drastic fall from 1965, when the birthrate was 4.0. France, because of a massive government program to encourage births begun under Charles de Gaulle, including large subsidies for children, has a birthrate of 1.8—still below zero growth.

At the present fertility rate, the population of the EC, which was 270 million in 1985, will fall to 240 million by 2025. The population of former West Germany, which was 60 million in 1985, will fall to 35 million, and of France, at 54.4 million in 1985, to 48.6 million.

Domestic Credit

It's a 'depression' says bankruptcy expert

"What recession? It's a depression," is the title of a commentary in the *New York Times* by William J. Rochelle, a bankruptcy specialist at the law firm of Fulbright, Jaworski and Reavis McGrath.

"In my profession, we are seeing dozens of formerly wealthy real estate developers," Rochelle wrote. "The absence of a market distinguishes this recession from the ones before it. . . . Today, nothing sells."

Rochelle explained why "the bottom is not yet in sight." "Today's prices continue to reflect an expectation of substantial appreciation. The . . . break in . . . prices will come when values reflect . . . realistic demand.

"On the demand side, the bottom is also yet to arrive. Consumers . . . need two or three years to exhaust their working capital. Real estate developers' . . . problems became public when their working capital was gone.

"While layoffs have depressed many families' incomes in recent years, their working capital has not yet been exhausted. When it is gone, either they or their bank lenders will start dumping assets to repay debts. . . .

"Enough sellers who are forced to sell will bring a price collapse. When the big bust occurs, how far under water will the big banks be then?"

Rochelle concludes by relating how he

once asked a "veteran bankruptcy lawyer" what it was like during the Great Depression. "After a while even bankruptcy lawyers couldn't make a living because no one had the money to buy assets from bankruptcy trustees."

Labor

Life expectancy for U.S. blacks declines

The life expectancy for black people in the United States declined for a fourth consecutive year, to 69.2 years in 1988 from 69.4 years in 1987. Life expectancy for whites was unchanged, at 75.6 years. Overall life expectancy for Americans dropped from 75 years to 74.9 years in 1988.

A major factor in calculating life expectancy is infant mortality, the *New York Times* noted. The U.S. ranks 22nd in the world in infant mortality, and that ranking has been worsening since the 1950s. Infant mortality in the U.S. is now decreasing only about 1% a year, far below the 5% annual decreases recorded in the 1970s. Ten infants died in their first year of life for every 1,000 live births in 1988, compared to 10.1 per 1,000 births in 1987.

"Infant mortality leveling off now is unacceptable," Dr. Reed R. Tuckson, senior vice president of the March of Dimes, told the *Times*. "We are losing 40,000 babies a year every year now. It is unconscionable, a national disgrace. It is not as if this is unsolvable, that we don't know what to do to lower it, not as if we don't have the technology. We do."

Finance

'Purposeful debt' recommended for U.S.

"More purposeful debt could kick-start the U.S.," according to a commentary in the *Japan Economic Journal* dated Dec. 1. "There is nothing wrong with being indebted to foreign-

ers if the borrowings are invested in schools, roads, and other means of enhancing future productivity," reads the blow-up quote in the commentary, which is authored by Robert B. Reich, who teaches political economy at Harvard's John F. Kennedy School of Government.

"Global capital—the savings of Americans and non-Americans alike—will be attracted back to the U.S. only when the American economy shows signs of awakening. This is precisely why it's so important for government to prime the pump—to spend, even if the consequence is a large and growing deficit."

Reich proposes that the government repair and enlarge America's decaying infrastructure of roads, bridges, sewage treatment facilities, and airports, and take steps to improve education.

R&D

Japanese automation plan moving forward

The Japanese Ministry for International Trade and Industry (MITI) has launched a multilateral scheme to develop manufacturing technology. The plan had been delayed by more than 10 months because of a slow and hostile response from Washington and Brussels, but is beginning to take off, the Japanese news service Kyodo reported Nov. 21.

"The Department of Commerce was at best lukewarm about the project at first, but strong lobbying from concerned U.S. companies changed their attitude," said Katsujiro Kida, director of MITI's Industrial Machinery Division.

The 10-year, \$1 billion project is designed to make the entire production process from market research to shipments into a highly automated and integrated system with a universal standard. Already, some 70 Japanese firms, including most of the leading manufacturers, have formally joined the project. A two-day meeting was held in Tokyo on Nov. 19-20 among Japanese, U.S., and European Community officials to decide on the framework for the project.

● **WESTERN EUROPE** is being flooded with cocaine, heroin, and other illegal drugs, according to U.S. drug enforcement officials. Ibero-American trafficking organizations have linked up with African, Middle-eastern, and Asian opium-trafficking networks, and have flooded the continent and England with cocaine.

● **SCIENTISTS** returning from recent trips to the Soviet Union report that the civilian magnetic fusion research program is being virtually wiped out. One scientist reports, "The Soviets only have money for salaries; no funds for operation of their existing experiments or for construction of future ones. Many Russian scientists are looking for jobs abroad."

● **JAPAN** has warned that the global economic slowdown will seriously hurt debt-ridden developing countries, in an Economic Planning Agency report released Nov. 27.

● **GRADUATE STUDENT** Sarah Shaw attacked the proposal of Sally Shelton-Colby, the wife of former CIA chief William Colby, that the U.S. follow Mexico's example in slashing its budget, in a letter to the editor of the *Washington Post*. In paying on its debt, "Mexico has guaranteed a life of poverty for over half its citizens," she wrote.

● **SALOMON BROTHERS** managing director and chief banking analyst Thomas R. Hanley, has found that the loan loss reserve needs of the 18 leading U.S. banks is \$35.3 billion, not \$12.9 billion.

● **WOMEN'S** participation in the U.S. labor force may have peaked, because the retail and service industries have been hit hard by the depression, and because of a rising number of births among women in their twenties, the Bureau of Labor Statistics reported.