

Business Briefs

Nobel Prize

Becker award shows hideous immorality

The "theories" of Gary Becker, the winner of the Nobel Prize for Economics, epitomize the immorality of the Chicago School of Economics. Becker is a modern-day Benthamite, who has applied free market economics and cost-benefit analysis to things like marriage, divorce, and child-rearing. Among his proposals are the elimination of the minimum wage and the legalization of drugs, starting with marijuana.

In the Oct. 14 *Wall Street Journal*, Becker penned a commentary entitled "A Nobel Idea: Free-Market Immigration." Instead of expelling the growing wave of immigrants, wrote Becker, "one idea would be to substitute a price mechanism for the complicated criteria that presently determine legal entry. The best policy along these lines would be to auction off immigrant permits to the highest bidders." Becker proposes that immigrants be charged \$50,000 each in order to come to the United States.

The Oct. 14 *Wall Street Journal* greeted Becker's selection as someone who has pioneered "theories of rational behavior which hold that people are not vegetables, but respond to situations in ways they think will maximize their self-interest" (emphasis added).

Trade

Study says NAFTA will wipe out garment industry

A report on the North American Free Trade Agreement (NAFTA) recently completed for a special commission of the New York State Senate, concluded that the state's garment industry, with 88,000 jobs, would be "virtually wiped out," the Oct. 12 *New York Times* reported.

The report concluded that it is "highly unlikely" that the state would benefit from a free trade agreement with Mexico, as it had from the 1989 free trade agreement with Canada. The 1989 agreement attracted more than 80 Canadian companies, mostly small firms, to the Buffalo area alone, to take advantage of

the fact that U.S. labor is 10% cheaper than Canadian labor. The study concluded that the far cheaper labor available in Mexico will cause a southward stampede of companies from both the United States and Canada. The AFL-CIO has estimated that New York State alone has lost 813,000 jobs to Mexico since 1970.

The *Times* noted that "executives and economists agree that its overall impact on the New York region would be to accelerate a long established, perhaps irreversible, loss of manufacturers, particularly smaller ones. . . . There is little doubt that the biggest advantages will flow to the financial services industries."

Great Britain

Secret societies in business face scrutiny

"Top businessmen in Britain's most secretive society, the Freemasons, are facing mounting pressure to stand up and be counted. Suspicions are growing about how far the long arm of the order reaches down the corridors of corporate power," Reuters reported on Oct. 6 in a story on how "secret societies face growing scrutiny in British business."

"Many of Britain's 8,500 lodges focus around particular institutions, be it government, regiments, professions or individual firms. Hundreds riddle London's financial district, the City, whose Lord Mayor has often been a senior Mason," Reuters reported.

"The Bank of England has its own lodge, share dealers too.

"Employees of clearing banks Midland, National Westminster, and Lloyds boast at least one each, the latter named the Black Horse of Lombard Street after its logo and headquarters.

"Britain's largest bank, Barclays, has up to four lodges, according to one recently retired senior executive and long-standing Mason. He denies, though, that members give each other a helping hand. . . .

"In July, Lloyds insurance members, stung by more than £2 billion [\$3.5 billion] of losses in what many feel is already an insiders club, were incensed to learn that three masonic 'lodges' operate in the market."

In November, parliament will be presented with a proposed law that calls for public

figures to disclose masonic membership. If passed, the bill will also apply to managers of top former state enterprises, now privatized, including water and electricity companies.

Martin Short, author of *Inside the Brotherhood*, a critical study of Freemasonry, "came across one lodge in the defense industry where government officials, military men and senior managers of arms manufacturers were all members.

"Such closed-door clubs are exactly the sort of situation the imminent parliamentary bill is aimed at."

Russia

Industry lobby head attacks IMF 'experts'

International Monetary Fund (IMF) experts know nothing about Russia, they spend too much time hobnobbing with the Moscow cultural elites and spreading bad advice, Arkady Volsky, the leader of the pro-industry Civic Union political bloc, told the Italian daily *La Repubblica* on Oct. 3.

Volsky denounced such IMF recommendations as devaluing the ruble and bringing energy and other prices up to world market levels, as "without any sense. We were, before this crisis, the major producer of oil in the world. Why should we increase the internal price of oil? We have done this, under advice from the IMF, and now the ruble is collapsing in value, to 309 to the dollar."

Volsky rejected the suggestion that Russia risks a credit embargo from the West if it rejects IMF policies. "What credit? We are being offered nothing, and the so-called experts in the Fund don't understand the problems of Russia. If you want to understand Russia, you have to live here for a while. . . . Instead, these guys at the IMF come here, go to see the Bolshoi Ballet, and then pretend to apply their reforms as if Russia were Texas."

A senior east German politician recently complained to *EIR* that the IMF is telling the Russians not to buy German machinery but schnapes and cigarettes and other "things that matter for the man in the street," to keep the most immediate pressure off the Gaidar government. The IMF experts tell the Russian government they will receive no western credits for imports of machinery but only for con-

sumer goods and medicine. This means that Russia is not even buying cigarette-making machines from east Germany. This short-sighted policy can be observed in all sectors of the economy in Russia, he said. Russia is not buying agricultural equipment and vitally needed spare parts for industrial cranes, machine tools, and other industrial hardware.

Agriculture

ConAgra forced to repay farmers

The food cartel conglomerate ConAgra was ordered in early October by a federal judge in Montgomery, Alabama to pay \$12 million to 300 chicken farmers in Alabama and Florida whom they had cheated.

ConAgra employees, at their poultry-processing plant at Enterprise, Alabama, had tampered with the scales that weighed the chickens which the growers brought for sale. The weight determined how much they were paid. The fraud went on for eight years (1977-85), the jury hearing the case found.

ConAgra unsuccessfully appealed the case to the 11th U.S. Circuit Court of Appeals. ConAgra was ordered to repay \$17.2 million, but \$5 million was taken in attorneys' fees and other expenses for the growers. ConAgra admitted the mis-weighing in court but claimed it did not occur as frequently as the growers alleged.

Environmentalism

Oil refineries face extinction

Kenneth D. Kerr, chairman and chief executive officer of Chevron Corp., the largest refiner in the United States, told a group of business leaders in Philadelphia on Oct. 8 that the Clean Air Act of 1990 threatens to destroy U.S. refining capacity, the *New York Times* reported. "No question about it," Kerr said, "the oil refinery is becoming an endangered species. . . . [New clean air regulations will] stop it, shrink it, and ultimately banish it from American soil."

Refiners estimate that the Clean Air Act will require them to spend \$50 billion on capital expenditures over the next decade to be able to produce gasoline that meets the requirements. That is \$3,000 per barrel of present daily refining capacity. Only the largest refiners are expected to be able to meet such a funding requirement. Smaller, less capable refiners will be forced to shut down. One industry analyst told the *New York Times*, "If you're a strong company, it's a good time to be in it," because as refining capacity disappears from the United States, the prices of refined products will rise.

The first of the new Clean Air Act requirements takes effect in November, and involves adding oxygenates, such as methyl tertiary butylether (MTBE), ethanol, or ethyl tertiary butyl ether (ETBE) to gasoline. Adding oxygenates and making other required changes in the composition of gasoline will add as much as 25¢ to the cost per gallon.

Economic Theory

Tokyo pushing 'Japan model' for Russia

Japanese diplomats in Washington told Reuters on Oct. 9 that Japan has renewed its attack on the International Monetary Fund (IMF) free trade "shock therapy" program in Russia. Tokyo first called last year, in a series of reports by the Ministry for International Trade and Industry (MITI), for a "Japanese economic miracle" for Russia based on Hamiltonian economic policies.

Japan has "urged the IMF and World Bank to use the lessons Tokyo learned recovering from the ravages of World War II to help rebuild the economies of the former communist bloc," a Japanese World Bank official said.

"When we take into consideration the sharp drop in output in eastern Europe and the former Soviet Union, perhaps something more could be done to stimulate production there," he said. Japan believes IMF free trade "puts too much faith in the market and not enough in the ability of governments to help promote economic development."

Japanese officials argue that its postwar strategy of targeting certain key industries for rapid development could be used by former members of the communist bloc in rebuilding their economies.

Briefly

● **AN ELECTRICAL GRID** for Syria, Iraq, Jordan, Egypt, and Turkey was discussed by ministers from those states in Damascus, Syria on Oct. 10. A feasibility study for the joint grid was motivated by Turkey, which is now producing more electrical power than it needs due to various hydroelectric power projects. The grid would serve 150 million people, and would be completed by 1997.

● **AZERBAIJAN** has granted Pennzoil Co. the exclusive right to develop the Guneshli oil field in the southern portion of the Caspian Sea and to increase production from existing wells, Pennzoil announced Oct. 1, UPI reported. The field is estimated to have 1.4 billion barrels in oil reserves.

● **ROBERT STEMPEL**, the chairman of General Motors, has been warned by outside directors of the company to confront the United Auto Workers or risk losing his job, the Oct. 13 *Washington Post* reported. The board supposedly is worried that Stempel, rightly, believes that GM's woes are mostly due to a stagnant national economy, rather than mismanagement and runaway labor costs.

● **HUNGER** stalks 30 million Americans, according to the annual report released Oct. 15 by Bread for the World. The figure is 50% higher than in 1985. The report also puts the number of homeless in the United States as high as 3 million. From 1990-91, requests for emergency food and shelter increased by 26% and the number of children living in poverty grew by 900,000.

● **STEEL PRODUCTION** in Italy will be cut 40% during the next five months, and a significant number of steelworkers will be put on short-work because of the failing sales situation, a spokesman of the Italian steel-producing association declared in Milan on Oct. 13. About 20-25% of the work force will be fired in the near future, the spokesman said.